



French sell-offs

How to cope with a marketing nightmare



Microchip battles

Will IBM's clones lead to war with Intel?



Ukrainian industry

From swords to ploughshares

# FINANCIAL TIMES

#### **US** bars high-tech sales to China and Pakistan

The US imposed economic sanctions on China and Pakistan, claiming they deatt in sensitive missile technology in violation of international arms controls. Washington will har sales to both countries for two years of sensitive technology with both military and civillan applications at an expected cost to US companies of \$400m-\$500m in lost revenue. Page 12

UN aid trucks arrive in Mostar: A 27-truck Uniled Nations aid convoy completed its journey to the besieged Bosnian city of Mostar after Croat demonstrators stopped blocking the route. Page 12

BAe-Taiwan deal close: A deal looked likely between Taiwanese officials and British Aerospace to save a proposed £250m (\$372m) regional jets joint venture. Page 12

News Corporation, media and entertainment group beaded by Rupert Murdocb, reported an \$4.5 per cent carnings rise to A\$978.9m (\$650m), reflecting improved performance from nearly all divisions, notably newspapers worldwide and US television interests. Page 13: Lex, Page 12: News International results, Page 18: John Fairfax results. Page 15

Keating in budget tax rise talks



The Australian government of prime minister Paul Keating, left, facing fierce opposition to tax increases, agreed to negotiate with smaller political parties which have threatened to block the hudget in the upper house of parliament. The row has opened the possibility of fresh elections

only five months after the administration was voted in. Page 4

MB-Caradon, huilding products and security printing group, is to huy most of the Pillar industrial businesses of RTZ, the mining company. for about \$500m (\$1.2bn). Page 14: Lex. Page 12: Building a new MB-Caradon. Page 17: CarnaudMetalbox sale hits half-year outcome, Page 17

Babangida set to go today: General Ibrahim Babangida, Nigeria's military ruler, was due to quit today after abandoning plans to head an "interim government". Page 4

Japan reform panel appointment Guish:

Hiraiwa, chairman of the Keidanren, Japan's

top business grouping, was appointed head of a panel to identify structural economic reforms. Page 4: Pain of a strong yea, Page 4 Renault and Volvo near merger deal: Progress on merger plans between Renault. French turer anii Volyo it

partner, could result in a deal hefore the Frankfurt motor show on September 7. Page 13 GPA Group advisers expect the aircraft leasing company to sign a rescue deal within days with GE Capital, financial services arm of General

Electric of the US. Page 13 Nicaragua hostages' hunger-strike threat: Hostages beld by rightwing guerrillas in northern Nicaragua threatened to go on hunger strike unless they were freed. This followed the release

of 21 other hostages earlier in the day. Toyota Motor, Japan's largest carmaker, announced a 24 per cent drop in pre-tax profits to Y286.4hn (\$2.76hn) for the year ended in June, and said the yen's appreciation could threaten

its policy of lifetime employment. Page 15 Cathay profits sink: A strike at Cathay Pacific Airways earlier this year helped depress the Hong Kong carrier's profits for the first balf of 1993. They sank 46 per cent to HK\$681m (US\$88m).

China anti-corruption drive: Chinese Communist party officials are being banned from trading on the stock market and having private business interests in a drive to root out corruption.

Saudi policy rethlnk: Saudi Arahia is to review its petrochemicals policy after the cancellation of an \$500m petrol additives project involving Mobil of the US. Page 5

Airport security chief fired: Heinrich Weiss, security chief at Germany's second largest airport, Municb. was dismissed after reports that 2,000 security passes had been lost or issued to unanthor-

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# France signals acceptance of wider ERM bands

by John Ridding in Paris, Quentin Peel in Bonn and

THE FRENCH government signalled a more relaxed attitude towards the Exchange Rate Mecbanism yesterday by indicating that France was in no hurry to return to the narrow bands which led to last month's currency crisis.

Mr Edouard Balladur, the French prime minister, made his conciliatory remarks on the eve of today's Franco-German sum-

The meeting between the leaders of France and Germany is aimed at finding common ground on European economic and mon-etary union and resolving differences on trade and other bilateral

Pressure ou Mr Balladur and Chancellor Helmut Kohl of Gerinany to reach agreement increased when Mr Karel Van Miert, vice-president of the European Commission warned that achievements like the single European market could come apart if the momentum towards economic and monetary union

(Emu) was not regained. "The Community is living dan-

gerously." the Belgian commissioner said yesterday, "and we could say that the Community itself is floating," along with its currencies.

A successful meeting today between Mr Balladur and Chan-cellor Kohl is vital if the European Community is to emerge from its current crisis in reason-

able shape. Mr Balladur said yesterday that France was determined to proceed with Emu. He added that France should avoid letting the agreed as part of the ERM reforms this month.

Mr Balladur said France was determined that the second phase of European economic and monetary union should come into effect on schedule next year and that he will discuss with Mr Kohl how to achieve economic conver-

His statement on ERM fluctuation hands was interpreted by economists as a more pragmatic response to the European currency crisis which broke the franc's close link with the

D-Mark and widened bands from

2.25 per cent to 15 per cent. The expectation in Bonn is that the two heads of government will seek to give a clear statement of their determination to co-operate, without any very precise ideas on how to resolve their outstanding problems - including the future of the EMS and Gatt.

Proposals on how to maintain the momentum towards Emu, in spite of the recent currency upheaval, are still being dis cussed at the level of senior offi-

Although there is a desire to

promise closer co-operation on economic and budgetary policies. both sides are constrained by their domestic political realities. Mr Kohl is locked into a strict hudget savings programme which does not allow for an early

relaxation.
But Mr Karl Lamers, foreign policy spokesman of Mr Kohl's Christian Democratic Union. called on hoth sides to co-ordinate their economic policies.

> Income tax cuts, Page 2 Kohl help on Gatt, Page 5 Editorial comment, Page 11

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# Inflation figures lift German rate cut hopes

Shares surge in Frankfurt ahead of council meeting

By Christopher Parkes in Frankfurt

FRESH SIGNS that inflation in western Germany could he turning down emerged yesterday, further fuelling speculation that German interest rates will be cut

Share prices surged in Franchist after news that around inflation in three of western Germany's largest states had edged

The mood in stock markets was also helped by a new record on Wall Street and by suggestions hat the German automotive industry is showing signs of recovery. Frankfurt's blue chip DAX index closed more than 20 points higher at 1,917.78.

The state figures indicate that inflation could finally be coming down after being stuck at around 4.2 per cent to 4.3 per cent for most of this year.

A provisional annualised infla-tion rate for the whole of western Germany, hased on the state-hystate figures, is expected before the end of the week.

Market analysts suggest that a flattening of price rises could hring the rate down to 4.1 per cent in August from 4.3 per cent

in July, Inflation has been widely forecast to slide after the summer hreak, possibly dipping as low as 3.5 per cent by the end of the year, before rising again early

Some market analysts said the signs pointed to a cut in the key discount rate at the Bundes-bank's policy-making meeting today. Earlier this week, economists at Germany's leading 12 banks said they, too, expected a rate reduction. However, the centrai bank will also consider the latent inflationary pressure in the recent excessive growth of money supply. The Bundesbank has warned that It will cut rates only when the time is right.

Money supply figures published last week showed hroad money, or M3, climbing at 7.5 per cent in July on a seasonally adjusted, annualised basis - far above the 4.5 per cent to 6.5 per cent target range. Mr Hans Tietmeyer, neputy president and president-elect of the Bundes-

Continued on Page 12 The Bnndesbank and its mimics, Page 2 German car output. Page 2 Government bonds, Section II



Bosnian Moslems demonstrated near the parliament building yesterday as Bosnia pleaded in The Hague for the World Court's protection, accusing Serbia and its ally Montenegro of genocide, rape and torture UN convoy gets through to besieged Mostar, Page 12

# Perot campaign to target trade deal

MR ROSS PEROT, the populist hillionaire, is to launch a vigorous national campaign against the North American Free Trade complicate the Clinton Administration's efforts to push the deal through a sceptical Congress.

Mr Perot is launching a book - Save Your Job. Save Our Country: Why Nafta Must be Stopped -Now! - on September 6, Labour Day. He intends to push the book and fan fears of unemployment as a result of Nafta in a string of speeches and television appearances over the next few weeks

The political elite may scoff at Mr Perot, out the 150-page book, selling for an affordable \$6.95, is a well-organised, easy-to-read polemic against the agreement, between the US, Canada and

Mexico. The Clinton Administration has as yet given no sign that it can come up with a comparahle response.

Speaking in simple terms. which elude trade negotiators, Mr Perot says that the US has heen "out-traded again." Under the terms of the deal, Mexico's rickety, unsafe trucks will be able to move into the US before American trucks can carry goods in Mexico, he says. Mexican investors will be able to own entire US farms, forests and real estate, while US investors will he restricted to owning no more

than 49 per cent of any enterprise

land in Mexico. The same applies to investment in construction. Mr Perot highlights the "low

wages and tame unions" which attract US executives to move production over the border Mexico keeps its wages low and its health and safety rule enforcement lax, Mr Perot says. This produces "a giant sucking sound", the sound of jobs going south of the border.

US negotiators "gave away" jobs by allowing Mexico to keep in place most of its motor industry investment and production restrictions for another 10 years.

that owns agricultural or forest. Mexico gets "unrestricted access" to US and Canadian feed grains (which both countries are competing to sell) to develop massive beef operations which will under-cut the US and Canadian indus-

All this and much, much more was agreed by negotiators whose motives Mr Perot finds highly suspect. "Mexico's chief legal adviser . . . was a former under-secretary of trade at the US Commerce Department," he says.
"The US team on the other hand was composed of bureaucrats."

Balladur-Kohl summit, Page 5

# Brussels threat to airport ground-handling monopolies

By Andrew Hill in Brussels

THE European Commission's competition commissioner yesterday threatened to use controversial legal powers to break open monopolies in airport groundbandling services.

Mr Karel Van Miert said a spe-

cial directive aimed at deregulating services such as passenger cbeck-in, baggage handling and refuelling would be the "best general solution" to the problem of monopolies at some EC airports.

He is considering the use of
Article 90 of the EC treaty, which allows the Commission to impose liberalisation on intransigent

member states. Seven EC airlines have complained to the Commission about alleged abuse of ground-handling monopoties at Milan, Frankfurt and across Spain. KLM, the Dutch carrier spearbeading the comptaint, claims that charges for services at these airports are hetween 30 and 50 per cent higher than at airports offering a

Mr Van Miert said yesterday that the Commission bad also received formal complaints from

airlines and private ground-handling companies concerning other German and Portuguese airports. Informal complaints have also been lodged against airports which he would not name.

The commissioner said all the formal complaints would be investigated. But be added that competition officials were already working on a draft directive, which could be imposed on EC governments using Article 90, or passed under the usual procedure, which requires member

states' approval. Mr Van Miert's predecessor, Sir Leon Brittan, frequently threatened to use Article 90 directives to break open energy, postal and telecoms monopolies. This is the first time that Mr Van Miert has openly backed the use of Article 90 in a specific sector. But be stressed that fellow

commissioners, member states, the European Parliament and all to be consulted. Some monopoly airports claim safety will be compromised if too many rival companies are

As transport commissioner until January, Mr Van Miert pushed through the latest package of airline liberalisation. He said that a situation where com-petition in ground-handling services was restricted would ble" as the rest of the civil aviation sector was liberalised. The Spanish state-owned air-

line lberia yesterday denied claims by other European air-lines that it bad abused its dominance of Spanish groundbandling services by overcharging foreign airlines. Prospects for a voluntary cut

in EC-wide steel capacity have improved over the last month, Mr Van Miert indicated yesterday. But be said the Italian and Spanisb industries had not yet met strict demands for cuts in state aid or capacity,

Mr Van Miert said there had been some progress in recent dis-cussions with Italian officials, and with the new Spanish industry minister. Rome submitted outline plans for the future of liva, the state owned producer, last week and has promised to supply more details next month.

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allowed to compete for ground-

handling contracts.

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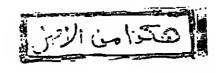
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in Frankfurt

THE German motor industry is starting to recover from its year-long slump, despite a 32 per cent fall in output during July, the VDA industry association said yesterday.

The improvement will be slow, and hampered hy increases in German petrol taxes, hut car production could increase next year hy as much as 6 per cent, according to Mr Achim Diekmann, association

Domestic deliveries could rise by around 100,000 during 1994 after tumhling an estimated 800,000 this year to around 3.1m, while foreign demand, especially in the UK. might increase exports hy 200,000 from this year's expected level of 2.2m.

Ms Erika Emmerich, associa-

this year. A modest increase in demand detected since then should start showing up in increased deliveries within six months.

However, in the medium term the association expects glohal demand for cars to increase hy an average of only report, published yesterday, said sales in western Europe, the US and Japan would grow only 1.5 per cent annually for the rest of the century.

Meanwhlle, the German industry was pressing ahead with restructuring. "Sleeves are being rolled up everywhere, costs are being reduced and the pace of innovation speeded up," Ms Emmerich

Since July 1991 the industry had shed 100,000 jobs and its current workforce of 687,000

around 70 per cent of the total production cost of a German

Vehicle makers and suppliers were determined to reduce costs by between 20-30 per cent in the next two years, she

Last month's 32 per cent production slump, exaggerated by the traditional holiday season shutdowns, brought the cumulative decline in output for the first seven months of the year to 26 per cent, the association

For the full year it expected a 20 per cent drop in production of cars, trucks and buses to just over 4m, compared with tions in Germany for 1993 are likely to fall 21 per cent to 3.1m, while commercial vehicle registrations will drop almost 8

# VW may sacrifice López

MR Klaus Liesen, chairman of Volkswagen's supervisory board, has for the first time raised doubts about the group's ability to hold on to its controversial production director. Mr José Ignacio López de Arriortúa.

In an interview to he published today, he hinted that the company could he forced to sacrifice Mr López.

It was legitimate to ask how long a company could put up with a continuous barrage of unconfirmed suspicions, he told Die Zeit, the weekly news-

Asked if VW was prepared to tolerate a long legal hattle with GM and its German subsidiary, Adam Opel, Mr Liesen said the supervisory hoard, which has

如果,但是这种是一种,我们就是这种是一种,我们就是这种是一种,我们就是这种,我们就是这种,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就 我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的, 我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我们就是这种的,我

executive directors, had to retain its freedom of action. This, he said, meant "that within the limits of our author-

ity we apply those measures which are in the interests of the company". Mr Liesen repeated that he stood behind Mr Lopez, under investigation for alleged indus-

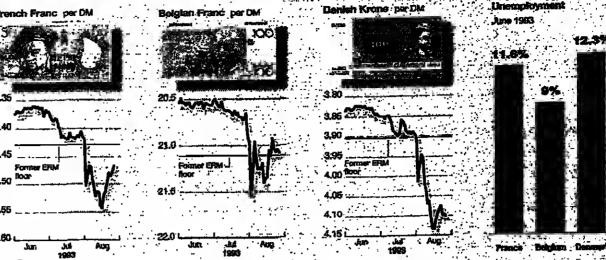
trial espionage and theft of secrets from Adam Opel, internal VW investigations contradicted media claims that Opel data had heen stored in VW

He told Die Zeit that the supervisory hoard's vote of confidence in Mr Lopez and the former GM employees who came to VW with hlm was hased on their statements, some in the form of sworn tespany to make personnel decl-sions damaging to itself although allegations against it cannot be proved?" he asked.

The loss of the Spanish costcutter, who left GM last March, would be a handicap for VW. particularly in its efforts to restructure production, he said. Mr Liesen accepted that no manager was irreplaceable. although he stressed he was not suggesting resignation.

The shift in Mr Liesen's posltion - he has hitherto been one of Mr López's stoutest defenders - suggests a reaction to the widespread conviction in the German husiness community that Mr Lopez must go if damage to VW's reputation is to be contained and its prospects of recovery protected Car parts results. Page 14

Currencies supported despite high jobless rates



# The Bundesbank and its mimics

HE exchange rate mech-anism has been relaxed and most of the system's currencies can fluctuate in much wider hands. Now Europe's hankers are asking the next logical quastion; should we care any longer what the Bundesbank does to German interest rates?

In recent years European governments have anxiously awaited each fortnightly meeting of the Bundesbank's policymaking council. Many of the alterations in German interest rates announced at the regular Thursday session have been followed by changes in domestic monetary policy to ensure that a country's currency did not fall close to its ERM floor against the D-Mark.

But the recent widening of the ERM fluctuation hands allows currencies to drift over wide margins. And, in theory, ERM member states need no longer ensure that their short-term interest rates are above Germany's.

The reality is different, however. The Bundesbank's decisions will affect European monetary policy. The results of today's meeting are keenly awaited across Europe, with strong expectations that the discount rate will be cut by at least half a percentage

Bundesbank policy matters on a European level because France, Denmark and Belgium are determined to keep their currencies as close to their former ERM bands as possible.

The French government is politically committed to a franc fort policy and might be embarrassed by a clear devaluation

and reaffirming yesterday that it will adhere strictly to this

#### France, Denmark and Belgium are shadowing German monetary policy. Can they keep it up, asks James Blitz

of the franc; Belgium and Denmark fear that a decoupling of monetary policy from Germany would lift the veil on fundamental economic problems that could be ignored when the European monetary union project was at its strongest.

None of these countries has repeated the UK government's policy of sharply cutting interest rates in the weeks after sterling ouit the ERM last September.

France has trimmed its overnight lending rate five times in believe that these countries can maintain strong currencies through high interest rates for much longer.

the last two weeks but has not cut official interest rates. Ear-

ller this week Denmark cut the

cost of short lending to 10 per

cent, a level that may be too

high given its heavy unemploy-

Belgium has been toughest of all, leaving its main official interest rate at 9.5 per cent.

"These currencies came under pressure because high incompatible with high unem ployment," said Mr Paul Chertkow, global currency strategist at UBS in London. "If their rates are not brought down the currencies will come under pressure anyway."

This is a strongly-held view in currency markets and has

## Belgium defends monetary policy

BELGIUM'S central bank yesterday leapt to the defence of its strict franc fort policy after a group of Fiemish economists called for monetary policy to be relaxed. The 14 economists from the

Catholic University of Leaven said that continuing to tie the Behgian franc to the D-Mark - 2 policy pursued since 1990 would damage industry and employment prospects and mas no longer an acceptable option But the central bank said resterday that Belgium was

not following its strict mone tary policy for the sake of principle but for "purely rational motives, given the [economic] contest in Belgium".

Belgium has stuck to the policy of shadowing the D-Mark even though recent changes to the beleaguered European exchange rate mechanism margin for fluctuation.

In their "manifesto" lished on Tuesday, the economists argue that the policy is not tailored to the specific Bell gian issues of high unemployment and low inflation. They also call for a freeze on wage indexation and for structural reforms in employment and

social security. Mr Karel Van Miert, Beigla vice president of the European Commission, said yesterday that the economists' manifest was an indication of the way in which EC policy could begin to transpent if the drive for economic and monetary union was not renewed. He refused to comment on the substance of the text. The bank's statement supporting existing policy helped to support the Belgian franc yesterday at BFr21.125 to the D-Mark against Tuesday's

# Balladur pledges income Italians' fast tax cuts to help economy track to jobs

By John Ridding in Paris

MR Edouard Balladur, the French prime minister, yesterday announced a series of tax initiatives to increase consumer demand and help revive recessi

economy.
Outlining what he described as a "new stage" in the action of his government, Mr Balladur said that income taxes would he cut hy about FFr17hn (£1.9hn) following a reform of the fiscal system in the hudget for 1994. Tax hreaks would also be introduced to encourage consumption and housing expenditure, he said.

But despite these fiscal measures, Mr Balladur said he remained committed to the government's objectives of financial discipline and non-inflationary growth. He said that the target for

the hudget deficit remained at FFr317hn this year and FFr300hn in 1994, and that this would he achieved hy limiting the increase in state expenditure to just over 1 per cent

The tax measure will be comhined with a five-year plan to reduce unemployment. The plan, which includes the transfer of social security payments



Balladnr: begins 'new stage'

from companies to the state, will he discussed with trade unions next month and he submitted to parliament in Octo-

Economists said that the various measures would have little impact on growth and unemployment in the short term, and that the French ing costs to help stimulate the economy. Gross domestic product is forecast hy most economist to contract hy about 1.5 for the lowest-paid workers per cent this year and unem-

ployment is expected to rise to about 12.5 per cent hy the end of December. Mr Balladur has resisted a rapid cut in interest rates following the European currency crisis which hroke the French franc's close link satisfaction with France's long-term interest rates, which he said were among the lowest The reduction of income

taxes, which will be achieved through a reform of France's complex system of tax bands. is expected to be of particular benefit to average wage earners. The other tax measures include tax exemptions for capital gains made on selling mutual fund assets if the proceeds are used to huy houses. The time required to with-

draw savings from tax-exempt savings funds may also be reduced in an attempt to stimulate depressed consumer spending, Mr Balladur said. • The French are in two minds about their prime minister, Mr Edouard Balladur, Ren-

ter reports from Paris.

A poll in the the weekly l'Express shows his support up 10 points to 64 per cent. Another poll in the weekly l'Evenement du Jeudi showed a nine-point fall to 40 per cent in approval

By Haig Simonian in Milan

THE Italian government is considering accelerating work on the country's amhltions new high-speed train project to stimulate the faltering econnew jobs.

The proposal to begin construction hy the end of this year was raised at a meeting in Rome yesterday between Mr Raffaele Costa, the transport minister, and representatives of the principal companies involved in the L28,000hn (\$17.5bn) plan to link Italy's main cities with new snper-

The proposals come just before today's planned meeting between Mr Carlo Azeglio Ciampi, the prime minister, and senior ministers to consider the increasingly gloomy economic nntlook when most factories re-open after the summer holiday break next week. The economy has been hit hy a steep fall in output and demand this year because

of the recession. Contrary to expectations, higher exports thanks to the lower lira have failed to offset the impact of the domestic sinwdown. Some econnmists expect Italy's unemployment rate to exceed 12 per cent by

particularly in manufacturing, cut their workforces.

Italy now has almost 3m people either out of work or on government-subsidised redundancy schemes.

from almost 8 per cent in the north and centre of Italy to more than 21 per cent in the economically-depressed south.
In the first half of this year, the number of idle hours spent by temporarily laid-off workers in special short-term redundancy schemes soared by 26 per cent. The downturn has

triggered increasingly pessimistic forecasts for unemployment and warnings that rising johless quenes could affect public order. Mr Nicola Mancino, the interior minister, warns of rising social tensions in cities such

as Genoa, Naples, Rome, Milan and Reggin Calabria, where further job losses loom. However, the Confindustria employers' association yesterday sought to play down

gloomy forecasts that a further 750,000 jobs are at risk. According to Mr Stefann Micossi, Confindustria's head of research, the increase in unemployment for the whole of this year is unlikely to

# Russian leader's gesture of reconciliation

two main scenarios for Euro-

pean interest rates between

now and the end of the year.

• The Bundesbank could cut

interest rates more quickly

than is currently expected -

allowing other countries to cut rates without an adverse effect

Yesterday's inflation figure for the German state of North

Rhine Westphelia, at an ann-

ualised 4 per cent, was better

ease policy.

necourage the central bank to

The more likely scenario is that the Bundesbank will keep

policy tight, amid fears that

money supply growth has shot

well beyond its target range of

France, Denmark and Bel-

ium could mimic this policy

for a while to keep their cur-

rencies strong. But they would

be forced to cut interest rates

as dealers took the view that

the policy was unsustainable.

Fixed-income investors, who

bought long-dated government bonds of these countries in

anticipation of rate coas, might

profits if short-term rates are

threaten to sell them and take

4.5 per cent to 6.5 per cent.



# Romania tiptoes along reform path

Privatisation has got off to a slow start, write Robert Corzine and Virginia Marsh

has only just completed its pilot phase two years after enactment of the privatisation law. State companies which dominate the economy and which have accumulated an inter-enterprise deht of ahout 1,900bn Lei (\$2.3hn), equivalent to ahout 20 per cent of CDP, remain untouched.

The fact that many large state enterprises are resisting reform has raised suspicions they are dolng so with the sympathy, if not the support. of senior members of the gov-

The lack of political will to implement the privatisation programme and reform the state sector is a reason the government has been unable to sign a 1993 stand-hy agreement with the International Monetary Fund. A successful outcome to the talks would have unlocked \$3hn in aid pledged hy G24 countries.

Formal barriers to speedier structural reform and privatisation, such as the lack of a hankruptcy law and capital markets, still exist. But Romanian officials involved in the reform process cite a variety of informal barriers.

Until recently, for example, the five directors of the State Ownership Fund (Sof), the hody charged with valuing, restructuring and selling 6,200 companies by the year 2000, had to make do with sharing a single room.

The Sof still has a staff of less than 100 operating out of a dingy Bucharest office building, having been rehuffed in its attempts to find more suitable accommodation in ministry The delays to the official pri-

vatisation programme have not, however, prevented state property from finding its way into private hands. Directors and officials of state enterprises are barred from huving assets of state companies which can be sold at official

But "spontaneous" privatisahons, wherehy state assets are sold cheaply to private companies in which officials or their relations have an interest, is common, according to reform-

Mr Paul Miercan, general manager of the Sof, conceded that it was "very difficult" to stop the "moral degradation" taking place during Romania's patchy transition to a market economy. The scale of the problem is impossible to quantify, but he acknowledged that out of 72 companies sold by the Fund hy mid-July, there were 'upwards of 20 cases" where irregularities were confirmed.

r Aurelian Dochia president of the National Agency for Privatlsation, says the phenomenon of "spontaneous" privatisation is "one of the most lmportant arguments" in favour of moving as quickly as possible in selling off the state companies. "The substance of the state sector is being sucked into the private sector," he says, "with the possibility that only empty shells will remain."

Romania's fledgling class of private entrepreneurs complain that government policies encourage the inefficiency of the state sector at the expense of the country's overall economic health. Private companies say they

economy is unstoppable. "Two years ago we were desperate to get involved with private sector projects, now we can't keep up with those being put forward." Official figures to the end of

ties or property.

207,846 private entrepreneurs, a common structure for farmers who have benefited from the return of collectivised land. The private sector accounted for 40 per cent of retail sales in the first half of the year comcannot raise capital for new pared with 7.1 per cent in the

projects but that state banks, same period in 1991. It also

June recorded 266,061 compa-

nies with private capital and

accounted for 44 per cent of services compared with 6.5 per cent in 1991. While statistics indicate that

which handle 90 per cent of loans, are still lending to heavily indehted firms. With little pressure on state company managers to be prof-GDP in 1992 was less than \$600 itable, they have not felt comper head, officials acknowle that there is a large black pelled to contract out work to new private businesses or to economy. The central bank lease surplus production facilibelieves the black market is driven hy some \$1bn in hard But statistical and anecdotal currency cash equivalent to 25-30 per cent of GDP. "There evidence suggests all is not gloomy for private husinesses. is public discontent that some Mr Mike Hicks, the Bucharest people are getting rich unfairly representative of the European through corruption and Bank for Reconstruction and deceit," says Dr Petre Datcu-Development, helieves the lescu of irsop, a Bucharest polimomentum towards a market ing organisation.

Yet Irsop surveys also show consistent public support for privatisation, and an acceptance of the social inequality which comes with a market economy, though about 25 per cent oppose market reforms.

Mr Misu Negritoiu, deputy prime minister in charge of reform, believes some opposition comes from a lack of transparency and valuation problems in the privatisation process. "Once we open mass privatisation and establish a transparent procedure, maybe the attitude of the population will change," he says.

## Russia's president lays a wreath at the monument to 20,000 Poles murdered by Soviet secret police Yeltsin seeks to heal Katyn wounds

By Christopher Bobinski

PRESIDENT Boris Yeltsin yesterday became the first Russian leader to lay a wreath at a monument to 20,000 Polish officers and civilians murdered in 1940 hy the Soviet secret police.

Relatives of the victims praised Mr Yeltsin for the gesture intended to heal wounds over the massacre at Katyn forest near Smolensk. Until 1990 Moscow hlamed their deaths on the Germans. Polish officers and civilians, interned in 1939 in the Soviet Union, were murdered on Stalin's orders. The site of the monument in a wooded Warsaw cemetery was long regarded by Poles as the symbolic grave of the men murdered at Katyn

However, the relatives urged Russia to release all documents about the crime and to build a cemetery for the victims.

Earlier Mr Yelfsin told Mr Lech Walesa, the Polish president, that the Russians would bring forward the withdrawal of 1.000 troops stationed in Poland by three months to the end of October.

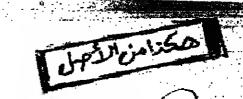
The two leaders also signed a trade agreement regulating customs procedures and comit ting both countries to Gatt rules. Last year Poland had a \$640m trade deficit with Russia. The first half of this year saw Poland's deficit narrow to

The talks have, however, left unresolved the question of debts expressed both in the now definict "convertible" rou-ble and US dollars. THE FINANCIAL TIMES
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# goods orders fall sharply

A BIG drop in demand for new cars and aircraft pulled orders for durable goods down steeply in July, the Commerce Department said yesterday, Renter

reports from Washington.
Last month's 3.8 per cent fall in orders followed a revised gain of 4.5 per cent in June that previously was reported as a 3.8 per cent increase. It was the fourth monthly decline in the past five months and much sharper than Wall Street economists' expectations of a

1.2 per cent decrease. The July drop was entirely in the transport sector and reflected the tepid pace of newcar sales as well as a weakening in volatile demand for costly passenger aircraft. Orders excluding transport gained moderately in both June and July.

The pace of sales for North American-made cars and light trucks has picked up in mid-August from the beginning of the month and car makers say new models start to roll off assembly lines.

Durable goods orders are considered a good gauge of the economy's health. They are generally expensive and take longer to produce so that orders measure both demand and future employment prospects among manufacturing

Total orders in July were worth \$127.5bn (£84.9bn) compared with \$132.5bn in June. Orders for defence goods, which experiance monthly swings, gained by 13.2 per cent last month after a 4.5 per cent rise in June.

If defence is excluded, over-

all orders in July fell by 4.5 per cent after the 4.5 per cent June

Transport sector orders fell in July by 18.1 per cent after a 14.3 per cent June increase. The department said it was the biggest monthly drop in such orders since November 1990 when they fell by 25.2 per cent.

# Canada election likely in October

MS KIM Campbell, Canadian prime minister, is likely to call soon for an October general election, Reuter reports from

With 1.6m Canadians unemployed, the campaign is expected to focus on who can best put people back to work and curb public debt, without cutting costly welfare services or raising taxes.

Ms Campbell, who succeeded Mr Brian Mulroney as Conservative leader and became Canada's first woman prime minister two months ago, is expected to announce the election in the next week or two. It will probably be held on October 18 or 25.

Ms Campbell, a 46-year-old lawyer, has criss-crossed Canada in recent weeks, meeting voters, to try to distance herself from Mr Mulroney, who stepped down in June as Canada's most unpopular leader

nessmen tomorrow. Opposition leaders have accused her of party political campaigning on taxpayers' money and want her to call the election as soon as possible so that all parties may enjoy free media time.

Under Canada's British-style parliamentary system, Ms Campbell automatically became prime minister on winning the party leadership in June, but her party's mandate to govern is to run out this

Recent opinion polls show Ms Campbell to be far more popular than Mr Jean Chrétiep, the Liberal party leader.
A Gallup poll published last
week found that Conservative

support had risen in July from 33 to 36 per cent, four points behind the Liberals, who had slipped from 43 per cent. Mr Chretien, whose party

was shut out of power for nine years by Mr Mulroney, said Ms Campbell had only a summer She will explain her eco- joh and that recession-weary nomic policy to Toronto busi- voters would oust her.

# US durable Developers attack wetlands protection plan

By Lisa Bransten in Washington

US MINING and development interests have attacked the Clinton administration's plans to end the divisive debate over protecting US wetlands, hours after these were announced. Interest groups, led by the National Association of Home Bnilders and tha American Mining Congress, filed a suit in Washington late on Tuesday, in an effort to stop one of the plans' provisions

The suit challenges the administration's ability tn require permits for all building excavation in wetlands ening of previous policy.

The suit alleges that the nine federal agencies which developed the plan acted illegally hy adopting the new rule administratively, rather than submit it to Congress.

"This is going to cause a lot more people to have to get permits in a system that is already overburdened," said Ms Cynthia Adcock of the

Developers, agricultural Interests and environmentalists gave mixed reactions to the plan, which offers some concessions to all parties hut

satisfies none completely. Developers are to be allowed

to operate "mitigation hanking" wherehy property owners may huy the right to drain a wetland by contributing to a fund set np to restore such land elsewhere. Also, a new

rule would allow property owners denied huilding permits the right to appeal without going to court. Environmentalists are

development of more than 1.5m acres of wetlands in Alaska, and with the president's commitment to no net loss of wetlands in the short run and to restoration in the

long run. Many are angry, however that the agriculture department would be responsible for identifying wetland areas and

"We believe that the pack-age, on balance, is a net loss for America's wetlands," said Mr Michael Crook of the National Wildlife Fund. He said mitigation banking could encourage development of wetlands by making it easy for property owners to comply with requirements.



#### NICARAGUAN HOSTAGES RELEASED BUT OTHERS STILL HELD

The releases came after former

Cardinal Miguel Obando y Bravo of Managua, pictured on arrival at the northern Nicaraguan town of Quilali, helped to secure the release of 11

left-wing hostages there early yesterday. Contra rebels, however, continued to hold five bostages and said they had

suspended their talks with the cardinal after spotting government troops nearby. He said later yesterday he was seeking more talks. The rebels are demanding that left-wing Sandinstas be ousted from the Nicaraguan government.

in Managua had freed three conservative to hold Vice-President Virgilio Godoy and five colleagues in order to try to force the release of the left-wing bostages

Sandinista gunmen holding hostages politicians late on Tuesday. They continue

# Haiti PM seeks end to embargo

By Canute James in Kingston

HAITI'S new prime minister, Mr Robert Malval, has appealed for an early end to the international economic embargo which has squeezed the Caribbean nation.

He made the request after Haitian legislators, with apparent reluctance, bad confirmed his nomination to the

This has completed another stage in a 10-stage sequence for the eventual return to office of President Jean-Bertrand Aristide, who was overthrown and extled by the army almost two

Under an agreement secured via the United Nations, and which has led to the resignation of Gen Raul Cedras, the army leader, Father Aristide is to return to Haiti on October

ment has been installed and the sanctions lifted. The Haitian chamber of dep-

uties voted on Monday to ratify Mr Malval, a 50-year-old publisher, who is Mr Arlstlde's choice for premier.

This followed ratification by the Senate a week earlier, but the new prime minister is facing opposition over the compo-

This will have to he approved by parliament before lifted.

the sanctions can he lifted. However, legislators dislike the absence from Mr Malval's list of prospective ministers of members of Haiti's conservative parties, which hold the

majority in parliament. The country of 7m people has fuel for only a few days hecause of the embargo. This could lead reluctant legislators so as to have the sanctions

# Salinas wins voting reforms in Congress

By David Luhnow in Mexico City

MEXICO'S Congress has approved a package of political reforms which the government hones will give a more democratic gloss to the country's authoritarian image,

The changes were passed easily, late on Tuesday, with votes from the ruling Institutional Revolutionary Party (PRI) and two opposition parties. Three opposition parties voted against.

The reforms regulate what the opposition claims is the PRI's unchecked access to public funds and the news media, and put limits on campaign financing. Also, for the first time in Mexican history, any offspring of foreign-born parents will be allowed to become president, as of 1999,

Other imporant reforms will: Open the Mexican Senate to opposition representation by allowing a third. minority. party senator from each state. Introduce some proportional representation into the way the lower chamber of Congress is elected.

 Set up a federal body to oversee elections. The proposals are seen as the

last chance for President Carlos Salinas, who has won international praise for his bold economic reforms, to fulfil promises to modernise Mexico politically.

The PRL which has governed Mexico for the past 63 years, needed only its own Congressional majority to pass the proposals, but it negotiated the support of the conservative National Action Party (PAN) hility at home and in the US. end up with 60-something per

demanding a more democratic Mexico before they ratify the North American Free Trade

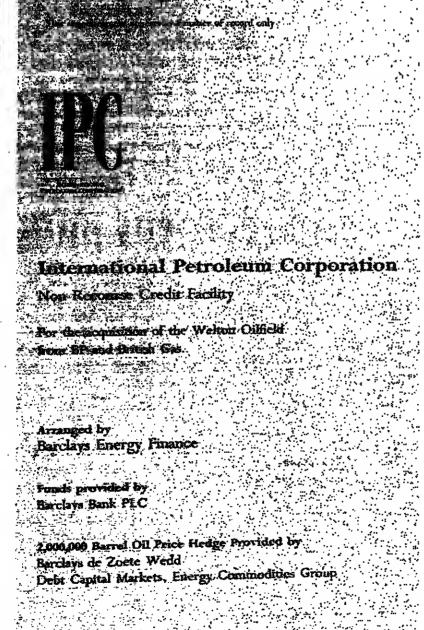
The PRI won over the PAN by allowing a minority-party senator from every state and allowing presidential candidates with foreign-born parents, an old PAN demand.

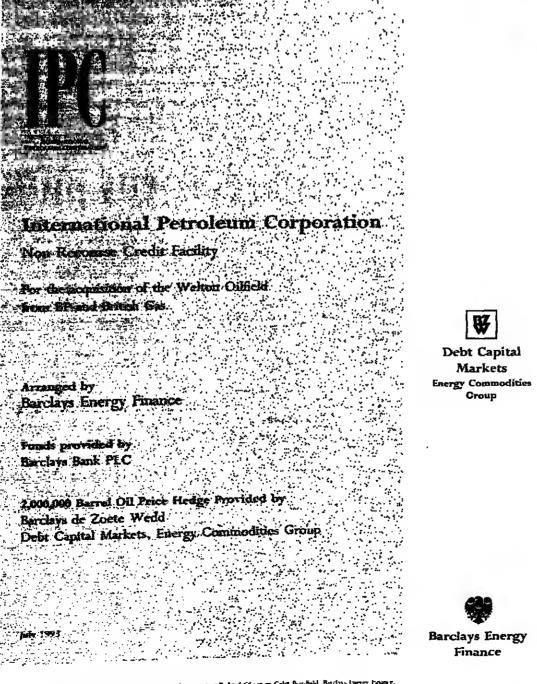
"Since he won some opposition support, Salinas can market these reforms as democratic, both here and abroad," said Ms Denise Dresser, a political scientist at Mexico's Autonomous Technological Institute (ITAM). But the moves failed to win the approval of the nation's most powerful opposition force, the leftist Party of the Democratic Revolution (PRD).

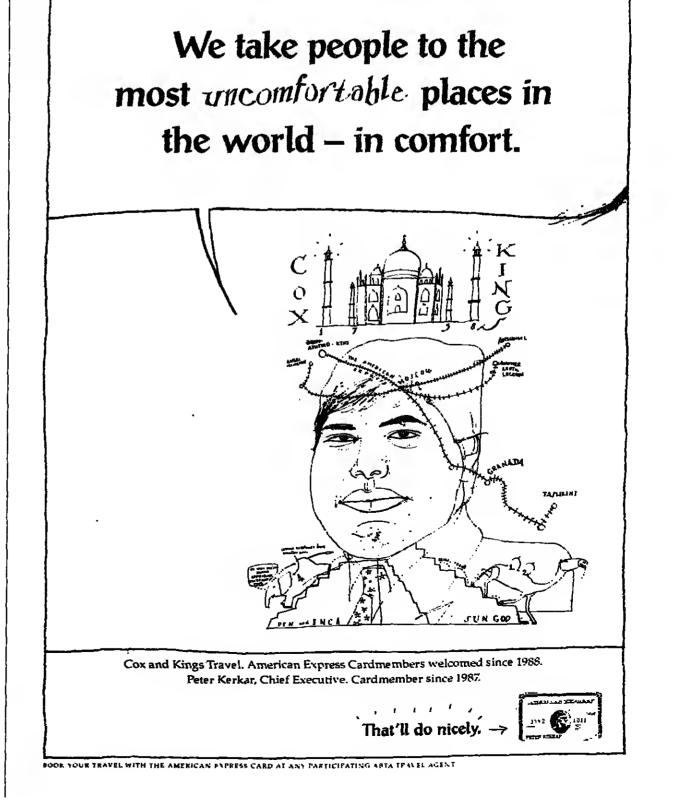
In 1988, a lettist alliance, which later formed the PRD, lost to Mr Salinas a hotly contested presidential election marred by charges of fraud by the PRI. During the next few days, the PRI and the PRD will meet in a last attempt to gain PRD support, although this is seen as unlikely.

"The changes are unaccept-able," says Mr Porfirio Muñoz Ledo, head of the PRD. "They show the PRI is not prepared to think about losing elections." Many opposition members maintain the PRI will use these latest reforms to increase

its grip on power.
"The change in electing dep utles will increase the PRI's over-representation via a more proportional system of representation." says Juan Molinar, an electoral expert with the Colégio de Mexico, "Although the reforms sounds good, it means the PRI can get 40-some-







# Babangida expected to give Talks pressure and up grip on power today

GENERAL Ibrahim Babangida. Nigeria's military ruler since 1985, was set to relinquish power today after bowing to pressure from fellow army officers to hand over to a non-elected civilian administration.

After plotting for weeks to extend his rule, Gen Babangida is understood to have ahandoned plans to install himself at the head of an "interim government". During tense meetings of the ruling military council this week, Gen Babangida's service chiefs are said to have threatened open rebellion if he insisted on clinging to

The 52-year-old soldier, veteran of three coups, was told by his officers he had discred-ited the armed forces hy reneging on a pledge to return

annul the June presidential poll, they said, was responsible for plunging Nigeria into the worst political crisis since the 1967-70 Biafran war.

The resolution of the crisis is likely to be an anti-climax. A farewell military parade in the capital Ahuja will see off the troublesome general it will be followed by an inauguration ceremony for the interim civilian administration.

Diplomats helieve the new overnment will be composed largely of members of the out-going Transitional Council, a civilian team appointed by Gen Bahangida six months ago which has been singularly ineffective in arresting Nigeria's economic decline. Chief Ernest Shonekan, chairman of the Transitional Council, is tipped to become Nigeria's new presinot expected to remain active behind the scenes. His officers, led hy Gen Sani Ahacha, the defence minister, are reported to be too angry to let him stay. "Bahangida will prohably speod some time cooling his heels at his mansion in the lvory Coast," a diplomat in Lagos said. The Babangidas also own property in France

But the military are not expected to leave the stage entirely. One of the key questions still to be answered is whether the National Defence and Security Council, the ruling military body, will dissolve itself with Gen Bahangida's departure or continue in some advisory capacity.
"We still don't know whether
we are getting another military

government with a civilian facade, nr a truly civilian

administration." Gen Olusegun Obasanjo. a former president and the only Nigerian military ruler to have voluntarily left office, said yesterday. "If Bab-angida completely leaves the scene, perhaps the people will learn to live with a non-elected administration. But it is clearly no substitute for a democratically elected govern-

Chief Moshood Abiola, winner of the aborted presidential contest, said yesterday from his self-imposed exile in Lon-don that he had not abandoned his claim to the presidency. "I will return to Nigeria as soon as it is safe for me to do so," he promised. "I cannot mount a challenge while my life is in

Chief Ahiola said it would be a "mortal error" for western

# finances divide PLO

Julian Ozanne examines the turmoil on the Palestinian side before negotiations resume

the Palestinian Libera-tion Organisation comhined with divisions about what, if any, concessions to make to Israel have left the Palestinians floundering as they prepare for a further round of talks with Israel in Washington next week.

Analysts say the turmoll is the result of soul searching about the need, under increasing Arah and international pressure, to make compromises to reach a deal with Israel. Negotiations have yieldad nothing in 22 months and con-ditions in the Israeli-occupied territories have deteriorated. Mr Yassir Arafat, chairman

of the PLO for 25 years, was yesterday confrontad with revolt within the movement over his authoritarian leadership style and his management of the crisis.

Two members of the 18strong PLO executive committee have resigned in the nest week and there have been calls for Mr Arafat to stand down. In Amman yesterday Mr Arafat dismissed any talk of crisis but be is expected to feel the beat at a meeting of the executive committee in Tunis today.

His critics have concentrated their fire on two related problems: the financial crisis caused by PLO backing of Iraq in the Gulf war and Mr Arafat's apparent willingness, without consultation, to make concessions to Israel.

After the PLO supported Saddam Husselm in 1991, Gulf states suspended millions of dollars of direct financial aid to the PLO and expelled hundreds of thousands of Palestinian guest workers who sent 7 per cent of their salaries to the

organisation.
The PLO has cut its annual budget from \$320m (£215m) to \$140m in the past two years. It has had to close offices and newspapers, delay salaries and monthly gratuities to more than 39,000 employees and dependants and suspend funding of universities, hospitals, municipalities and scholarships in the Israeli-occupied West Bank and Gaza strip.
At a time of mounting criti-

cism the PLO cannot buy political support by spreading cash around the occupied-territories the franian-funded Hamas, which is rapidly developing a network of social services and which rejects talking peace with Israel.

The financial crunch also strengthens the hands of Arab states which will continue to use the carrot of a resumption of financial support as a means of forcing the PLO to make more coocessions. These money problems, com-

hined with what apponents say is Mr Arafat's desire to strike a deal in his lifetime, have pushed the 64-year-old leader towards compromise. Critics say his willingness to make concessions is evident in

bis keen acceptance of the

"Gaza-Jericho option" - a pro-

Gaza Strip and West Bank town of Jericho leaving the rest of the West Bank under

some form of interim self-government. in return Mr Arafat might be willing to make compromises on control over occupied Arab East Jerusalem during the interim phase - the current sticking point in peace talks. Mr Nayef Hawatmeh, leader

Liberation of Palestine and a long-time critic of Mr Arafat, agreed to the proposal after being promised \$700m in aid pean countries.

fat's enthusiasm for the Gaza-Jericho nption has drawn the lines of debate. The proposal is supported by some peace nego-tiators from the territories anxious for a deal which will address, sooner rather than

Keating agrees to talks over tax increases

THE Australian government facing fierce opposition to tax increases announced last week, yesterday agreed to hold negotiations with smaller political parties which have threatened to block the budget in the Senate, the upper house

of parliament. The retreat by Mr Paul Keating, prime minister, increased the likelihood of a compromise which would prevent his Labor government from resorting to extreme steps to push

through the budget.
The row has caused talk of a possible dissolution of both houses of parliament and fresh elections only fiva months after Mr Keating's Labor goverument was elected - though the smaller parties in the Sen-ate are thought to have little to gain by forcing elections.

Mr Keating yesterday met Ms Cheryl Kernot, leader of the Australian Democrats, who said afterwards that the talks had been constructive. "I think they know that they have to talk," she said.

The government would have little difficulty securing the budget's passage through the lower house. But in the Senzte. 10 sepators – Australian Democrats. Greens and an independent - hold the balance of power. The Democrat to side with the opposition on

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the budget. Mr John Dawkins, federal treasurer, said the government did not object to hearing the Democrats' views, but that "it must be understood that there can be no significant change of the government's overall defi-cit reduction strategy."

He had announced increases in wholesale taxes and on petrol, alcohol and tobacco in order to battle a widening budget deficit he estimated at A\$16bn (£7bn) for the financial year which began on July 1.

According to one opinion

poll, the budget caused the government's popularity to drop to its lowest level in Labor's 10 years in power.

Mr Bernie Fraser, Reserve Bank governor, warned that the threats to block the budget might force a rise in interest rates - a step the government keenly wants to avoid as it seeks to steer the economy out of a long recession with 19.7 per cent unemployment.

The senators' opposition to the new taxes has raised constitutional issues about the role the Senate, which normally passes budgets without question on the principle that the executive should be

allowed to govern.

Mr Dawkins said earlier in the week: "I think it would be a very sad day for Australia if we got into the sort of situation that they are to in the US where the executive govern-ment is unable to secure the passage of its legislation through the parliament."

# China acts to curb corruption

By Tony Walker in Beijing

THE Chinese Communist Party's top disciplinary commission yesterday formally banned party officials from trading on the stock market and bolding private business

In a nationwide drive to achieve "clean government", the commission unveiled a new code of conduct imposing severe limitations on tens of

thousands of officials. Warning that corruption was "still growing and spreading", the commission said, "the neg-ative and corruptive manifesta-

tions, if not overcome resolutely, will ruin the party, the people's political power, and the great cause of socialist modernisation.

The new rules are set to strike at the heart of the patronage system so precious to Chinese officialdom, and for that reason are certain to prove extremely difficult to enforce. The new code of conduct bars officials from: Engaging in husiness on

their own account or using their influence to assist rela-tives and friends profit from

 Accepting gifts of money nr negotiable securities, or credit

• Using public funds to acquire membership of clubs or to participate in any highcost recreational activity.

The measures reflect intense Communist party over the continuing erosion of the party's reputation and authority caused by corruption fuelled

It also coincides with deepening worries in Beijing over a weakening of the central authorities' control over the

Officials face enormous obstecles in their corruption drive, however, since the problem reaches high into the rul-ing party itself. Top officials and their relatives are among those most deeply engaged in private business.

The anti-corruption communique was issued at the end of a six-day conference attended by more than 100 senior officials, and addressed by Mr Jiang Zemin, the Party boss.

"Corruption is a virus that has infected the healthy bodies of our Party and State," Mr Jiang told delegates at the

OBITUARY: LORD KADOORIE

# Visionary HK businessman bring peace

LORD Kadoorie, one of Hong Kong's greatest husinessmen and its first British peer, died yesterday, aged 94. He leaves behind a family empire worth close to USS4bn (£2.6hn), incloding controlling interests to Hong Kong's largest power company and one of Asia's leading botel groups.

Lord Kadoorie was one of the colony's few tycoons to build np equally stroog links with Britain and China. In of Baron Kadoorie of Kowloon in Hnng Kong and the City of Westminster, shartly after awarding Britaln its largest ever export order - for China Light and Power's Castle Peak power station.

Four years later he finalised China's first nuclear power project, in Dava Bay, near Hong Kong. The deal was signed by Chinese premier Li Peng and it earned Lord Kadoorie a dinner engagement with Chinese patriarch Deng Kiaoping, which was to have taken place at the opening of

Daya Bay, later this year. He argued that Hong Kong should be a neutral point of contact between China and the west and pursued this goal

Total assets



Lord Kadoorie - "unshakeable faith in Hong Kong's future"

both as businessman and conservative politician. Hong Kong's acting governnr, Sir David Ford, described Lord Kadoorie as "a businessman of extranrdinary vision" and a man with "unshakeable faith in Hong Kong's future".

Lord Kadoorie was chairman of China Light and Power from 1935 through to 1992. His father. Sir Eleazar Kadoorie. had emigrated to the colony from Baghdad in 1880, and

expanded from stackbroking into electricity. His son rehuilt the business after the Japanese occupation left little more than the Peninsula Hntel. The family now controls 35 per cent of the HK368.4hn (£5.5hn) capitalised China Light and Power, 61 per cent of Hong Kong & Shanghai Hotels and interests in companies ranging from textiles to banking.

# France to forces home

FRANCE will withdraw its peacekeeping troops from Somalia by the end of the year and from Cambodia by the end of next January, Mr François Léotard, the French defence minister, said yesterday, writes John Ridding from

Speaking in an interview with Radio France Internationale, Mr Léotard said the withcountries had been scheduled and was in line with the United Nations' timetable for ending operations there. According to Mr Leotard.

France would maintain its troop presence in the former Yugoslavia. But be said that be wanted to see stronger UN command in the field to increase the safety of the 6,000 troops stationed there. He said that French troops would continue to be available for other UN missions.

France bas about 1,400 troops in Cambodia. It has been active in seeking a solution to the civil war there, cochairing the Paris conference in which the four conflicting Simon Davies | factions signed a peace accord.

### military commander: now 25 years of leadership are under fire posal that provides for the immediate assumption of full Palestinian anthority in the

of the Democratic Front for the said the PLO chairman had from the US, Japan and Euro-

Whether true or not Mr Ara-

later, worsening conditions for Palestinians living under occu-pation. But it is firmly opposed by many PLO stalwarts.

PLO officials said the resignation last week of Mr Mahmod Darwish was partly an act of protest against Mr Arafat's willingness to make concessions which would leave parts of the West Bank under Israeli control. And Mr Shafiq al-Hoot, who withdrew from the executive committee at the weekend. said Mr Arafat was going beyond policy "red lines" for peace talks with Israel laid down by the Palestinian parliament-in-exile in Algiers in 1991.

The pressures on Mr Arafat, one of the greatest survivors in Arab politics, are coming from all sides. This time many Pal-estinians believe "the old man" will have to give up some of his coveted powers and allow a mure democratic leadership capable of nudging the dispa-rate PLO factions towards acceptance of the hard realities

GREEK EXPORTS S.A.

INVITATION

COOPERATIVE SOCIETE ANONYME FOR THE EXPLOITATION OF LIGNITE DEPOSITS IN THE AREA OF KYMI

In line with the application of the Government's policy of denationalisation and by virtue of Law 2000/91, GREEK EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETBA S.A.) and established to Athens at 17 Panepistimiou Street, has been appointed as Liquidator by Decision No. 5749/9.8.93 of the Athens Court of Appeal and intends to sell, by the procedure of article 14 of Law 2000/1991, the total THE EXPLOITATION OF LIGNITE DEPOSITS IN THE AREA OF KYMI (KOLS.E.LI.K. S.A.), established in Kymi, Euboez, and of which ETBA S.A. is a 20% shareholder, 64,771% is owned by the Municipality of Kymi and by 19 Communities in the area and the remaining 15.229% is owned by the Cooperative of Company Workers.

KOLS.E.LI.K. S.A. was established in 1985 (Govt. Gazette No. 3232/30/9/1985) with head office in the Municipality of Kymi with the object of exploiting the lignite-bearing Harocopos area of Kymi. In this area the company owns land about 28,780 sq. metres in area. On this land there are buildings 350 sq. metres in area used for various nuxiliary purposes. The company also owns the necessary mechancial equipment. During the years of its operation, KOLS.E.LI.K. was a supplier of the Public Power Corporation and LARCO.

> FINANCIAL DATA (in 000 Drs.) 1990 1991 467, 136 493,604

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1992

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GREEK EXPORTS S.A.

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invitation, interested buyers should submit a non-binding written Prospective boyers, having undertaken in writing to maintain

confidentiality, may receive the offering memorandum and be given access to other information regarding the company for sale. III. The announcement of a public acction for the highest bid will be published within the prescribed time limits and in the same

For any additional information please call the following telephone numbers: +30-1-92.94.395, +30-1-92.94.396 and +30-1-32.43.111 to

# Keidanren chief to head structural reform panel

By Gordon Cramb in Tokyo

MR MORIHIRO Hosokawa, Japan's new prime minister, vesterday appointed Mr Gaishi Hiraiwa, chairman of the Keidanren, the country's leading husiness grouping, to bead a panel which will seek ways to restructure the economy.

An emergency meeting of economic ministers last Thursday decided to set up the advisory committee, which is

charged with identifying structural reforms to deal with the yen's recent surge, which is hurting exporters.

The appointment of Mr Hiraiwa helps cement relations between the seven-party ruling coalition and the influential Keidanren, which was a traditional ally of the Liberal Democratic party, ousted this month follow-

ing a general election. The Keidanren bas long sought moves to deregulate the economy. which Mr Hosokawa said last week

would be a main thrust of an autumn the current 2.5 per cent was difficult. policy initiative. Official data indicate that the domestic economy remains depressed.

Figures for July department store sales yesterday showed a 6.2 per cent fall from tha same month of 1992. their 17th successive monthly decline. Banks cut their prime rates by 0.2 points to 4.8 per cent in response to a recent easing of money market rates, hut Mr Hosokawa told MPs a further

He was responding to questioning by Mr Yohei Kono, new LDP leader. Mr Kono also extracted a pledge from Mr Hosokawa that the premier's recent acknowledgement of Japan's wartime aggression did not imply that Asian countries were entitled to compensation. The opposition leader also attacked his vagueness on political reform, the government's main aim. The coalition has not yet been able to

should replace the current scandal-Difficulties within the coalition

were underlined yesterday when it emerged it also could not agree on a gubernatorial candidate for Ibaraki prefecture north-east of Tokyo, Mr Hosokawa's Japan New party and the allied Japan Renewal party will side with the LDP against a candidate backed by the Social Democratic party, the largest and most left-wing

# Japan's industry feels the pain of a strong yen

'The most difficult problem is people.' Gordon Cramb and Michiyo Nakamoto report

OME 175 skilled Japanese workers will from next month make an unfamiliar journey. Toyota Motor, Japan's industrial flagship, is for the first time seconding employees to an affiliate hecause it has no work for

them at its own plants. Toyota, usually the country's too income earner, is suffering the twin impact of dull domestic demand and a currency crunch on export margins - the group warned yesterday (it faced an operating loss if the yen stays strong. The 17S have not lost their jobs, as might happen at Toyote's western rivals, hut the security of working for Japan's most admired automotive group has been rattled. Japan has seen a number of

previous assumptions upset this summer. The latest rise in

the ven has left the currency

up hy nearly a sixth against rowing, and some analysts are remained absent. Fixed investthe dollar since January, throwing exporters' earnings forecasts out of kilter. A domestic economic upturn glimpsed in the spring has failed to materialise. Company executives' deci-

sions are further clouded by official policy uncertainties. The new government averred when it took office two and a maiotain the hasic economic stance of promoting noo-inflationary growth pursued hy its Liberal Democratic party predecessor. But ministers in the seven-party coalition are in apparently increasing discord An autumn public spending package remains uncertain,

the cabinet is divided over

whether any income tax cuts should he offset hy a VAT

increase or hy government bor-

playing down previous expectations that the official discount rate will be cut next month from its already historic low nf 2.5 per cent. Business leaders are urging the government to act. Mr

Kosaku Inaba, new chairman of the 1.5m-member Japan Chamber of Commerce and Industry, said nn Tuesday income taxes and the discount rate should both be cut, even if this meant creating a deficit which had to he funded through a government bond

he Bank of Japan, the country's central bank, in its monthly economic review maintained this week that the economic slowdown appeared to be coming to an end hut acknowledged that clear indications of recovery

ment by manufacturers continued to decline, it noted. The automotive sector. export-reliant and with sales at home also down some 10 per

cent this year, is having to revise earlier, already modest, expenditure plans. Nissan, tha aecond-largest automotive group, is cutting capital spending hy another Y20bn (£129m) this year on top of an original Y30hn reduction. Mazda said this week it was seeking further economies than envisaged in an adjustment plan unveiled only in June. Mr Tatsuro Toyoda, president of Toyota, said yesterday there was a limit to the measures one company could implement in a short

Such naw investment commitments as are being made in Japan are mostly for high val-ue-added products: NEC, the

alectronics group, is spending Y30hn to make liquid crystal display colour screens in westarn Japan, the market for which is growing by 40 per cent a year.

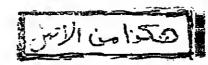
anufacturers in sec-tors such as con-sumer alectronics say that when they are shifting output of more standard lines. abroad, the question remains of what to do with the workers left at home. In a culture which inhibits redundancies "the most difficult problem is people," says Mr Yasuaki Takano, president of Sanyo Elec-

Many company axecutives say they have already done what they can to counter the adverse effects of the high yen, and suggest that it is now the government's turn. "We would like to see the

efforts for a stimulus to the economy. We are disappointed economy, we are disappointed they have been so slow," says Mr Takeshi Kondo, head of political and economic research at Itochu, n leading

trading house.
Mr. Ichizo Ishitsubo, president of Clarion, the car audio manufacturer, adds: "Last autumn we took great pains to draw up a restructuring plan and we did everything we needed to do in the latest half-

The workers that Toyota is transferring will now help produce a popular line of recreational vehicles for Toyota's smaller Auto Body associate. with no sight yet of a govern-ment programme to jump start the economy they, like the rest of Japanese industry, are left wondering what happens down



By Deborah Hargreaves and Roger Matthews

SAUDI ARABIA'S cancellation of an \$800m (£534m) project to build a plant at Yanbu on the Red Sea coast, for the production of petrol additives, has set nff a review of the kingdom'a entire strategy in petrochemi-

This could lead to more involvement by Saudi Arameo, the state nil company, in the sector, but is also likely to delay private sector interest in petrochemicals projects for the duration of the review.

Yanbu was to build a plant for producing methyl tertiary butyl ether - an environmentally friendly alternative to lead in petrol.

The venture, known as Arabian American Chemical Company, was jointly owned by Mohil, the US oil company, and Arabian Chemical Investments Corporation – a private Sandi company headed by Mr Luay Nazer, son of the Sandi oil minister.

When the project was can-celled on Angust 9, a Sandi official said this was because

the state and private sector in petrochemical industries.

Mohll expressed its disappointment at the cancellation. The company bad been working on plans for the plant, which would have had an 800,000-tonne annual ontpot, for several years.

The episode marks a rare

public rift between a foreign oil company and the Sandi anthorities.

Mohil had made many commltments to the project; the company had begun to line up

the need to formulate a markets for the products and to charter tankers for ship-

The questions over the project were seen in the industry as having arisen from a possihle conflict of interest concerning the Sandi oil minister's son being at the head of the private company working with

However, Saudi officials say the cancellation comes from the need for a fundamental review of the kingdom's downstream activities in oil. This follows the merger of Samarec, the kingdom's refin-

ing and marketing arm, with Saodi Aramco, the state-owned oil company, this year. Sandi Arabia's petrochemicals industry is run hy Saudi

Basic Industries Corporation. Sahic. which is mostly stateowned hut has some private shareboldings. Kiog Fahd, the Saodi ruler, is understood to be looking at

rationalising the downstream oil and chemicals industries with a view to making them more efficient and to cut costs. Low oil prices over recent years bave left the kiogdom cash the way they used to be and all projects will have to be reviewed carefully," said one

industry analyst. Sandi Aramco - the kingdom's main oil producer - pro-vides the crude oil feedstock for running reficeries and chemicals plants, ofteo at a fairly large discount.

Many in the industry have argued for a higger role for the company in decisions about downstream investment, although it has no experieoce of petrochemicals. As part of its review, the

government could decide to or Sahic be a partner in any joint venture project.

At the very least it is likely to require some increased Input from Aramco on future projects – this could involve setting up a panel for approving new ventures.

Aramco bas already set up a new husiness onit to deal with refinery operations after the merger with Samarec in June. It could be expanding its operations to cover petrochemicals in coming months.

senior official said yesterday.

But we really do not see how

we can re-open the whole nego-

Although Mr Kohl has always been the EC leader

most prepared to help France

defend its agricultural inter-

ests - not least because of his

own strong farming lobby - his

patience has clearly worn thin.

House agreement was partly

drafted by his own agricultural

adviser, Mr Franz-Josef Feiter,

precisely in order to help the

French. Yet even that gesture

was not enough for Paris.

One reason is that the Blair

tiations with the US."

### **Taiwan** link for Hicks, Muse

By Daniel Green

HICKS, MUSE, a Dallas-based private investment company, vesterday became the latest foreign concern to sign a strategic alliance with Taiwan's

ministry of economic affairs. Other companies which have ione so include: AT&T, the US telecommunications giant: Motorola, the communications and electronics company: General Motors, the vehicle maker: and GE, which makes aero-en-

These alliances are intended to hring together foreign companies seeking to cut costs and Taiwanese manufacturers eager to acquire new skills.

At least five more companies, both US and European are preparing to sign similar according to Mr Paul Hsu, a lawyer involved in the alli-

Taiwanese companies "are good at making components but had at integrating them [into products]", he said. However, Taiwan offers high productivity and rapidly growing

# Balladur will seek Kohl help for way out on Gatt

R EDOUARD Balla-dur, the French prime minister, is an France's prime minister is under pressure from his farmers and allies alike amenable sort of man who prefers conciliation to confrontation, but there is one issue on the agenda at his meeting in Bonn today with Mr Helmut Kohl, the German chancellor, which is in danger of being

confrontational. France, like all the other participants, is anxious tn conclude the Uruguay Round of trade liberalisation talks under the General Agreement on Tariffs and Trade before the December 15 deadline. But Mr Balladur is under pressure from France's militant farmers to reject the proposals in the bope of negotiating a more favourable agreement.

lf be did so, Mr Balladur would risk condemning France to international isolation. He has to persuade his allies to give him some sort of compromise so that he can placate the

over proposals for liberalisation in agricultural trade, writes Alice Rawsthorn gross domestic product. In the-ory Mr Balladur ought to be able to placate the French by arguing that any threat to

farming in the Gatt reforms will be easily out-weighed by the benefits to services, such as telecommunications and banking, which are a far larger part of the economy. France has already started to try to shift the emphasis of the Gatt debate hy airing its grievances on services issues. It has

lobbied for the US to accept further liberalisation in telecommunications and for the introduction of unilateral measures against unfair trade practices along the lines of "Section 301" in US trade

eign minister, recently attacked France for its "protectionist" approach. However, after a meeting in Dresden on Tuesday with Mr Alain Juppé. his French counterpart, he said

he was sure the "few, small problems" could be resolved. The French hope that the forum for resolving those problems will be the special meeting of EC foreign and farm ministers due to be beld in Brussels on September 20. France called the meeting last month in the hope that it can persuade its EC partners to reopen the Blair House accord on agriculture struck last year between the EC and the US.

Mr Balladur plans today to table his proposals for a compromise deal on agriculture to Mr Kohl, in the hope of winning Germany's support before the Brussels meeting, French officials are not talking about the details although it is

known that France is particularly concerned about the accord on the EC share of world cereal exports and on imports of meat and cereal into

Most observers are cautiously confident that, somehow Mr Balladur will avoid vetoing the deal. "There's no way that France wants to risk isolatiou," said one. "In any case the Freoch have always

they have pushed the other side as far as it will go - then they back down. Quentin Peel adds from Bonn: There is sympathy in Bonn towards Mr Balladur's

difficulties with the farm trade

chapter in the Gatt negotia-

chants. They sit and sit until

tions, but few concrete suggestioos on how he might he

Leaders in Emerging Markets Banking and Trade Finance.



Balladur does not want to be the object of French farmers' talent for demonstrations, such as this one in June at EuroDisneyland

farmers and sign the Gatt deal. The talks today with Mr Kohl will, or so he bopes, be the first step towards such a solution.

The French farmers are opposed to cuts in the EC export subsidy system which, they claim, has helped France to become the EC's largest agricultural exporter with almost a quarter of total EC production.

They are a powerful political lohhy in France, particularly on the right, Mr Balladur's side of the spectrum. They have already secured the support of the more outspoken members of the Balladur government, notably Mr Philippe Séguin, leader of the National Assem-

However the importance of agriculture to the French econony is fast diminishing. It now accounts for just 2.4 per cent of to let Mr Balladur off the hook. One of their most effective weapons is a talent for dramatic demonstrations, such as their tractor blockade of the EuroDisneyland theme park. The last thing Mr Balladur needs is a fresh onslaught from the farmers at a time when his government is already under fire for the sluggish state of the economy and its failure to halt the rise in unemployment.

For France's allies, the conclusion of the Uruguay Round is of critical importance. A Gatt deal promises not only to end years of incertainty on the world trade scene but to yield significant benefits for all the signatories, including France.

The other signatories, not least the Germans, have made clear that they will be furious if France blocks the deal. Mr Klaus Kinkel, the German for-

MOSCOW ING. BANK ING ... BANK BERLIN ING BANK PRAGUE ING BANK BRATISLAVA VIENNA NG. BANK ING .. BANK BUDAPEST ING . \_ BANK

Italian company wins contract

# Esso Singapore to upgrade refining

ESSO SINGAPORE, part of Exxon Corporation, has announced that it will invest \$8380m (£157m) to upgrade its oil refining

operatious in Singapore.

Foster Wheeler Italiana, based in Milan, has been awarded the contract to build a 15,000 harrel per day hydroprocessing unit at Esso's 230,000 hpd Pulan Ayer Chawan refinery. The new unit will npgrade lower value, high sulphur vacuum gas oll to produce low sulphur diesel oil, naphtha and low sulphur vacuum

Esso said that demand in the Asia Pacific region for high grade prodocts was outstripping supply. "Strong economic growth in the Asia-Pacific has boosted demand for higher grade, cleaner refined products." said Esso.

cleaner retined products." Said 8880.

Singapore, with a refining capacity of slightly over 1m h/d, is now the world's third higgest refining centre, after Rotterdam and Houston. Singapore's refineries supply about 40 per cent of Asia's imports of refined products.

Asia's imports in retinen products.

Several companies have recently announced multi-milling dollar projects to opgrade existing refineries or huild new petrochemical plants in Singapore. In February, British Petroleum, Caltex and the local Singapore Petroleum company announced a \$850m (£570.4m) refinery project in Singapore.

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ING BANK

# Tories told tax increases needed to offset state debt

Political Correspondent

RIGHTWING members of Britain's ruling Conservative party yesterday came under growing pressure to admit that tax increases could be needed to offset the country's £50bn borrowing requirement.

Mr John Biffen, a former chief secretary to the Treasury, moves aimed at forcing the

**Demand** 

for new

cars rises

cent to 325,792 compared with

290,551 in the corresponding

August, the month in which

a new year-letter is added to

UK registration plates, is one

of the most bectic periods for

car sales. The year-letter

change was shifted from Janu-

ary to August more than 15

years ago to stimulate slack

summer sales. August sales are

now a test of the state of

demand for new cars and have

accounted for 23 per cent of

total annual sales of new cars

in each of the past two years.

The 20-day figures released to carmakers yesterday con-

firm that the recovery in sales

shown in the first 10 days of

the month has been sustained.

They have led some manufac-

turers to revise upwards their

Ford, the leader of the UK

new-car market, said yesterday

that it had raised its forecast

for the whole of August from

between 400,000 and 405,000 to

415,000, indicating a jump of

about 11 per cent from sales of

The UK is virtually the only

car market in west Europe.

where sales are currently

growing, albeit from a very

depressed level after three

THE FIRST trial in Britain of

gene therapy for cystic fibrosis

(CF), the country's most com-

mon serious genetic disease,

will start today at the Royal Brompton Hospital

in the four years since

the genetic defect responsible

for CF was discovered, scien-

tists have devised two tech-

niques for delivering function-

ing copies of the gene to

patients' lungs. Lung damage

is the main cause of death

A US group started clinical

tests four mooths ago, using a

modified virus to insert the

gene into lung cells. But that

trial has been suspended

because the virus seems to

The UK scientists say their

technique is "milder" than the

viral approach and less likely

to cause complications. It has

heen used successfully to cor-

rect CF symptoms in labora-

The new gene is packaged in liposomes, tiny fat globules,

which fuse with the cell mem-

brane; the gene works inside

the cells to produce the protein whose absence destroys the

The trial has been approved

hy the government's gene ther-

apy committee, chaired by Sir

Cecil Clothier, and the hospi-

lungs of CF patients.

inflame the patients' lungs.

By Clive Cookson,

in London.

374,000 in August last year.

forecasts for the full month.

period last year.

by 12%

direct and indirect taxes. which he said were necessary to offset the increasing state

He advised ministers to eese the pain of tax increases by raising the higher rate of income tax as well as indirect taxes, which beer more heavily on middle and

lower incomes.

Mr Biffen's comments will encourage Mr Michael Portillo, the present chief secretary to

the Treasury, who has warned in recent interviews that public spending restraint may not be sufficient to reduce the defi-

Mr Portillo will also be heartened by the re-emergence yesterday of deep divisions on economic policy in the opposition Labour party.

The opposition's hopes of forging a united front on economic policy were shettered yesterday by an attack on Mr Gordoo Brown the party's

Mr David Blunkett, Labour health spokesman. Mr Blunkett, a leading supporter of "radical" socialist policies, accused Mr Brown of allowing Labour's economic policy to be shaped by a decade of Conser-

vative government. The attack was prompted by the launch last week by Mr Brown of Labour's revised economic policy.

In it Mr Brown ebandoned the party's "tax and spend"

promised to cut taxes if possi-

Mr Biffen, meanwhile, soggested that the taxation issue could develop into a test of support for Mr John Major. the prime minister, as well as Mr Kenneth Clarke, the chancellor, and Mr Michael Portillo. Interviewed on BBC Radio. Mr Biffen warned that the

Treasury faced a bruising polit-

ical battle with other rightwin-

manifesto commitments from the 1992 general election and offended at the prospect of an increase in income tax". He said the government

would need "quality" leadership to survive. Asked whether such leadership existed, ha said: "That is what the next 18 months will reveal."

Rightwing Tories, however, kept up pressure on Treasury ministers to consider deeper cuts in public spending. Mrs Teresa Gorman urged the gov-ernment to "stick to priorities"

and slash spending. "If Michae Portillo goes on with these pol-icles he will be writing a suicide note for the Conservative party," she said. "The people will not forgive us for going back on our promise at the election that we would not

raise taxes. Labour, which has remained aloof from the Conservetive debate, accused Mr Portillo of a short-term manoeovre intended to pay for tax cuts

# the courts for leave to apply for a judicial review on the

INMATES at Britain's first privatised prison, run by the Group 4 security company, pot-ter ebout for most of the day. play ping-pong and take large quantities of hard drugs, the chief inspector of prisons

Judge Stephen Tumim praised the staff of Wolds Remand Prison in northern England - the only prison operating exclusively as e remand centre for adult males in England and Wales - for a high-calibre service to prisoners that costs the taxpayer £5m

a year.

But the judge ettacked the "lethargy" among the prison's 320 inmates. He blamed it on the fact that the 171 prison make the unconvicted work".

suggested that Mr Michael Howard, home secretary,

ties. Cells - to which inmates had keys - were light and spacious; meals were wholesome and ample: and visits were allowed 365 days a year. "At the Wolds inmates lie

The only way to prevent the lethargy becoming "corrupting" was to include sentenced prisoners et the Wolds, according to one of his 102 recommendations. Staff at mixed prisons were better able to encourage involvement in activities. Mr Derek Lewis, the prison

service's director-general, said he would implement this recommendation. But he denied that the ebsence of systems for checking the financial aspects of the contract between Group 4 and the Home Office was a "serious weak-ness". Mr Lewis said that two full-time staff were et the Wolds to ensure taxpayers'

money was well spent.

But Mr Stephen Shaw, the director of the Prison Reform Trust, agreed with Judge Tumim that the lack of financial monitoring of the remand prison was "alarming" given the government's determination to press ahead with its privatisation programme.

Mr Tony Blair, the opposi-

tion Labour party's home affairs spokesman, said the government should call a half to privatisation, He said the Tumin report was a damning

Mr Jun Harrower, the managing director of Group 4's UK operations, said he that areas that required attention - such as the drugs problem - were

over their being privatised,"
he said: "I have been dealing
with them for 20 years, and I
know they are highly professional, and their integrity is
beyond question." He hopes

independence from govern-ment will lead to e less

bureaucratic and cierical way"

the agency has seen dra-matic development of its role in the recent past particularly

in eastern Europe and the for-mer Soviet Union. It is, for

example, training staff in

seven Russian procurement

agencies ecross the agricul-ture, energy, health and trans-

port sectors as part of e \$600m

-As an independent founda-

tion, the Crown Agents will no longer be limited to serving aid

agencies and other public bod-

ies, as its present constitution

"Newly established private

What will be most important

for the restructured agency is

its reputation for impartiality

in advising on the cheapest

and most efficient way of sup-

plying projects. As Mr Berry said: "If we couldn't hold our

heads up and prove our inde-pendence, we would not be the

large procurement agency we

World Bank initiative.

of operating.

# Inmates 'lie abed' in comfort of first private jail

By Rachel Johnson

reported today.

staff - who address the inmates as Mr - could "not Judge Tumim's criticism follow the controversy over the

recent leaked memo which thought prisons were not "austere" enough. The report contrasts the lethargy of life in the Wolds with the "excellence" of its faciliand much pottering about."

give the go-ahead to the plant in north-west England. BNP has been waiting since the start of the yeer for e licence to start nperations at the £2.8bn plent, which has taken nearly 10 years to build. It has argued that, by testing the plant now, it could save several months' preparation if Thorp is eventually given anthorisation.

Britain in brief

BNF cleared

to begin tests

at waste plant

British Nuclear Fuels has been

told by the government's Pol-

lution Inspectorate that it can

begin to test its controversial Thorp nuclear reprocessing

Greenpeace, the pressure group, said it would now ask

grounds that testing prejudged

a decisinn about whether to

plant with uranium.

#### Fixed-rate loans gain popularity

The proportion of borrowers taking on fixed rate home loans in the first quarter of the year increased sharply as a result of problems faced in 1992 by houseowners with variablerate mortgages.

The Council of Mortgage Lenders said 46 per cent of first mortgages and 48 per cent of re-mortgages taken out in the first quarter were fixed compared with 27 per cent and 23 per cent respectively in the first quarter of 1992.

#### rewer orders for contractors

Orders received by contractors for construction work in the second quarter of 1993 were 11 per cent lower than in the first piarter of 1993 but 11 per cent higher than in the second quarter of 1992, the Department of the Environment said

#### Move to ease traffic jams

and the south-west section of the M25 London orbital motor way have been published in a consultation paper by the Department of Transport.

Scott Wilson Kirkpatrick, the engineering consultants, have recommended a road and rail project that could cost up to 830m and eventually lead to faster Underground and rail links to Heathrow from Lendon'a Waterioo station

#### Expansion for brewer

Scottish end Newcastle, the regional hrewer, announced a £39m expansion of its plant on l'yneside, north-east England. The plan for e five-acre site alongside S&N's existing Newcastle upon Tyne brewery will mean more advanced brewing plants and warehousing.

#### Soccer strip prices attacked

for new playing strips sold to youngsters and adult supporters. Check It Out! - the Consumers' Association magazine for younger readers - says all but three English Premier League teams charge more than £40 for a junior strip, on exercise which it branded a commercial money-spinner for the most popular clubs.

# REGISTRATIONS of new cars in the UK in the first 20 days of this month jumped by 12.1 per

Mick Stevens (left) of the Union of Democratic Mineworkers confronting energy minister Tim Eggar at Bilsthorpe pit in the Midlands yesterday about last week's accident in which three miners died. Mr Eggar said the eccident had been e "ghastly tragedy" and that any lessons on safety learned from it would be applied to every colliery in Britain

## Poll finds caution on Major's charter

THE CITIZEN'S CHARTER appears to be doing little to raise the standard of services more than two years after it was launched by prime minister Mr John Major. Its aim was to improve standards and compensate the public for lapses. The results of an indepen-

dent survey into what people think about the charter shows that the performance of two tbirds of leading public services - both in the public and private sector - is considered to have deteriorated over the past year. The survey of more than 3.000 adults was conducted by ICM research in the job than a year before, with

today on cystic fibrosis

hospitals at which budgets are

still controlled by local health

anthorities have been invited

to become self-governing

Mrs Virginie Bottomley, the

health secretary, said yester-

dey she expected the next

wave of applications to "finish

the job" of reforming the

state-run National Health Ser-

Mrs Bottomley said 145 hos-pitals and other health units,

such as ambalance services,

had applied to become trusts

in the fourth wave of applica-

As a result of the first two

waves, nearly 300 units are in

the hands of self-governing

trusts, accounting for two thirds of the NHS hudget. A

Dr Duncan Geddes, clinical

director of respiratory medi-

cine, said: "This raises abso-

lutely no ethical issues. We're

using a gene to treat a disease

and not to modify future gener-

The scientists expect to have

preliminary results from the

trial within four months. If

these are encoureging, more

patients will join in next year,

but gene therapy is unlikely to

become a standard treatment

for the 7,000 young people with

CF in Britain for at least five

years. The therapy used in the

tal's own ethics committee

THE FEW remaining UK further 139 - the third wave -

heard of the charter, suggesting that the intensive promotional campaign which has accompanied Mr Major's Big Idea has been successful.

There was also support for a range of charter-related policies, with large majorities in favour of the publication of league tables by public services and the linking of publicsector pay to performance. Since its launch in July 1991,

the government's charter unit has spent £3.74m, with yesterday's research costing £75,000. Only eight of the 31 services included in the survey were thought to be doing a better

are due to become trusts in

Mrs Bottomley said there

was a 7 per cent increase in

activity in trust hospitals last

year, compared with a 4 per

cent increase in directly man-

The opposition Labour party reiterated its pledge to "stop

the commercialisation of the

health service, and the

self-governing nature of the

trust hospitals and community

Only 44 units bave so far

not opted out or applied for

trust status. Dr Brian Mawhin-

ney, e junior health minister

yesterday wrote to the manag-

ers of the 44 inviting them to

apply for trust status by September 24.

Brompton trial was develope

hy a group led by Professor Bob Williamson et St Mary's

in London with Dr David Por

teous and colleagues at the Medical Research Council

Human Genetics Unit in Edin-

Nine young men are taking

part in the first phase of the

One of them, 23-year-old Mr

Darren Keen from Hemel

Hempstead, said yesterday:

"I'm very pleased to be able to

help. I'm sure there are no

Brompton trial.

aged units.

fecilities".

ers - notably supermarkets not covered by the charter. Family doctors and their practices are thought to he performing markedly better than last year. Local rubbish collection has also improved significantly in what may be claimed as a sign that the policy of allowing the private sector to compete for this husiness is

paying dividends. There are cootrasting messages for financial institutions, with the building societies (savings and loans institutions) thought to he doing a better job than n year ago, while the banks were perceived to he

THE TRANSFER from

A Crown Agents, an organisation which provides

financial, professional and pro-

curement services across the

developing world, will for the

first time give exporters and

foreign aid agencies a direct

The new shape of the organi-

sation has become clear now

that the British government

has retreated after eight

months of deliberation from its

early preference for outright

privatisation. It has chosen

instead to make the Crown

Agents an independent founda-

An official at the Overseas

Development Administration.

the government office which

now has responsibility for the

Crown Agents, said the body

would be "entirely commercial

in its approach, and will be

expected to make a return".

Profits, however, would be

loughed back into the agency.

directors who will be selected

from a cross-section of its users

cies and exporters.

including overseas aid agen-

will answer to a board of

tion limited by guarantee.

role in its leadership,

the public sector of the

mance of the law courts was also thought to have deteriorated markedly. With motorways, buses and London Underground also registering negative ratings, people appeared doubtful about whether the government's drive to improve Britain's transport network is working. National Health Service bositals comprise the service peopie most want to see improved although more than three

of the table were local roads

and British Rail, the national

rail network, while the perfor-

quarters of users think they abed more or less as long as as the drugs pro they wish," Judge Tumim being addressed. are doing a very or fairly good

Gene therapy trials start | Crown Agents to go commercial Overseas aid agencies - in **David Dodwell** predicts more

> leadership influence for overseas users

of the agency two year EC-funded pro-

Finance and Banking School in Moscow.

It will also be easier to dem-

The agency, founded in the 1830s, now works in 130 countries. Last year it generated only 27 per cent of its £37m income from the IJK. Its leading clients are the

"By not exposing it to the pressures of shareholder interests, it will be able to act more easily in its own interests, and in the interests of its clients in the developing world," the administration added. Privatisation will create a structure similar to that of the health insurance groups PPP end Bupa, the motoring organisations the AA and the RAC, and part of a \$600m World Bank the British Standards Institute. initiative. It is co-ordinating a

particular Japan's national aid agency, which has in the recent past used the Crown Agents extensively to handle its procurement - lobbied the British government against outright privatisation, arguing that this would imperil the 'honest broker' status of the Crown Agents.

For Mr Peter Berry, manag-ing director of the Crown Agents, escape from bureaocratic government procedures will come as e relief. "When you need ministerial consent to do anything materially different from the act that governs us, then there is 'a stop in the mind against doing it," he said. "It will be very different going back to e board. There will be no disincentive to be pro-active. Accountability will be closer to home."

onstrate to doubters that It is independent of government pressure to "buy British".

World Bank, the European Community, the United Nations and Jepan's national aid agency. It is at the heart of organising eid convoys to eged towns across Bosnia. It is training staff in seven Russian procurement agencies across the egriculture, energy, health and transport sectors as gramme to train 4,000 bankers et the new International

As well as aid convoys in Bosnia, its emergency logistics management teams have supplied medical sopplies to Albania, procured and distributed emergency pharmaceuticals to Romania, and delivered haby foods to needy cities across European Russia and western Siberia.

This increasingly multinational spread of activities played a large part in the deci-sion to hive the agents off to the private sector. But the pressure against pri-

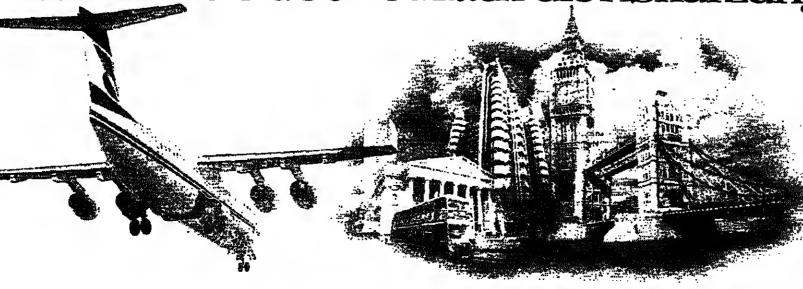
vatisation was not unanimous. Mr Rajhavan Srinivasan, head of the World Bank's procurement division in Washington, said some of the bank's staff would like to see both the Crown Agents and Germany's GDZ, its main "competitor," transferred to the private sec-tor so that independence would be transparent and competition boosted.

"I don't have strong feelings

corporations in the developing world, which used to be our clients when they were government owned, are coming back to us and asking if we can continue to supply them," said Mr Berry. "Under our present The Consumers' Association has criticised Britain's soccer constitution, we have to say

clubs for charging high prices

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Business Air. Die einzige Flugverbindung von Frankfurt direkt ins Herz von London. Am 31.08.1993 ist es soweit: Business

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#### t aounds like a marketing nightmare. Over the next few days André de Marco must finalise the preparations for one of the most important product launches in his company's history. Yet he still does not know exactly what he will be selling, or when it

The product is a block of shares The product is a block of shares in Rhône-Poulenc, the flagship French chemicals company, the French government hopes to sell this autumn in the first phase of its privatisation drive. Unfortunately for de Marco, Rhône-Poulenc's director of communications, the economy ministry will wait until the last moment to announce the size and date of the sale.

"With an ordinary marketing campaign you are able to choose the best possible time to make sure that conditions are right." he says.
"But we have no control over the timing of our issue, or over whether the government will sell its full 43.4 per cent stake. All we can do is make sure that everything is ready to go anytime from early Septem-

Rhone-Poulenc is not alone. Banque Nationale de Paris (BNP), the other first-phase candidate, is also putting the finishing touches to its marketing campaign. Even com-panies earmarked for sale in the second phase, likely to be early next year, such as the Elf Aquitaine oil group, are now starting to plan the marketing of their issues.

These companies not only need to ensure that they attract enough interest to sell all the shares, but that the stock ends up in the right

haken by the involvement

of some of their most

politicians, in return for

public-sector campaigns, Italy's

leading advertising agencies have

drawn up a new code of conduct

But some advertising executives

create a supervisory body to police

contracts, could stifle, rather than

encourage, competition, And not

self-regulation and more open

bidding are enough to regulate ltaly's advertising industry. "The aim is to create a level

chairman of the association of

with some authority. Medicus

Intercon-Feel Good, the agency

he runs, specialises in publicity

for the pharmaceutical and health

sectors, where most of the alleged

The new code of practice aims

to remove any scope for corruption

leading agencies. Contri, elected

chairman earlier this year, speaks

playing field," says Alberto Contri,

to protect against future abuses.

fear the new rules, which will

bidding procedures for the

all are convinced that

prominent members in alleged kickbacks to

# Investing in France

Agencies are preparing campaigns for the first wave of a privatisation drive, writes Alice Rawsthorn

hands to create a stable base of shareholders. The marketing of the issues will play a critical part in this process through mainstream advertising to the public and through specialist communications to institutional investors in France and other countries.

The specialist programma is likely to be the most straightforward. Most of the privatisation candidates are large, international

"If we want to build a well-balanced shareholder base we have got to attract more individual investors"

groups which have a small percentage of their equity in public issue. They have already myested heavily to huild np a core of institutional shareholders and to ensure they are well known in the international financial community.

"French companies have made

tremendous progress in communi-cating with international investors," says Joe Hall, head of interna-tional sales at Warburg Securities in London. "The first catalyst was the mid-1980s privatisation drive, but things have really improved over the last three or four years when foreign institutions have become major investors in France.

The most expensive, and chal-lenging, aspect of privatisation marketing is advertising to the public. There is no real tradition of private share ownership in France and the 1987 stock market crash brought the mid-1980s vogue for equity invest-ment to an abrupt halt. The economics ministry says it may consider a follow-up to this summer's successful Balladur bond advertising campaign to encourage inves-tors to convert bonds into privatisation shares, but it has no plans to promote share ownership as such. This means the privatisation can-

didates must not only sell them-selves, but also try to popularise the concept of share ownership. Elf has already started. It has expanded the corporate advertising campaign originally planned for

Pascal, aujourd'hui chef d'une plate-forme pétrolière was chez Eliza

Childhood snapshots of mythical Elf employees are part of its campaign

this summer. The campaign, holder to highlight the forthcom-devised by the Euro-RSCG agency, ing share sale. Elf is preparing to features posters of childhood snapshots of mythical Elf employees. The company has added an extra picture of "Louis, an Elf share-

choose an agency to handle the main privatisation campaign. However, its scale will be determined by how much of its 50.7 per cent stake

the government decides to sell. If the issue is small Elf may concentrate its efforts on the institutions as it did for the partial privatisa-

BNP caused a stir in the Paris advertising world last week by choosing BDDP, one of the most dynamic new French agencies to have emerged in the 1980s, rather than its long-standing agency, Euro-RSCG. The choice of BDDP, which worked for Michel Pehereau, the BNP chairman, on CCF's privatisa-tion advertising, is expected to herald a new image for BNP, one of

France's most traditional banks. The group plans to reinforce its advertising efforts by an extensive direct mail campaign to its 60,000 employees and 4.7m account holders to familiarise them with Pébereau's new strategy and to encourage them to buy its sbares. Rhône-Poulenc last week belped

to console Euro-RSCG for the loss of the BNP account by appointing the agency to handle its privatisation advertising. Like Elf, Rhône-Poulenc's efforts will depend on the ultimate size of the issue. One of its main aims is to attract more individual investors. It currently has 100,000 private shareholders who own less than 1 per cent of its total equity.
"If we want to build a well-bal-

anced sharebolder base we've got to attract more individual investors, says de Marco. "Privatisation provides an ideal opportunity. But it won't be easy. Most people in France know the name Rhone-Poulenc, but they're not really sure what we do.

to stamp out malpractice? Public

tendering has been proposed as a panacea in other Italian

industries, such as construction,

kickbacks are regularly paid to

"Public tenders may help to

criteria are relatively clear and

objective grounds, such as cost."

says one prominent advertising

executive. "But it's harder to apply

the same standards to advertising."

Another observer warns that

"If enough people want to cheat

The new rules should at least

shocking excesses of the past, such

so-called "public" bids, where odd

rules, such as abnormally short

Whether they will be enough

preparation times, may have

masked similar malpractices.

is still not certain.

as limited private tenders, with

the winner decided in advance. They should also eliminate the

stamp out some of the most

even public tenders can be rigged.

the system, they can do it," he says.

contracts can be allocated on

eradicate malpractice in industries,

such as building, where the bidding

where it is alleged that big

politicians to win business

## Selling Atlanta to the world

tlanta, the leading husiness city of the southern US, has become the first city to promote itself through a worldwide television marketing campaign.

The city is attempting to lure foreign investment through a series of TV advertisements to be shown nn the cable TV service CNN International. The campaign has been prepared by BBDO, the US-based advertising agency, for the Atlanta Chamber of Commerce.

Atlanta has long had a

reputation for self-hype. In the 1920s it was the first city to advertise itself in print. In its latest campaign Atlanta has targeted European and Asian husiness audiences with 30-second TV adverts. CNN, widely available io international hotels, started showing the adverts last month. They are screened in the early morning. as business travellers prepare for their day, and In the early evening, as they return to their

Atlanta's three-year ampaign, costing at least \$1m. (£676,000) aims to build on the publicity that will come when Atlanta hosts the 1996 summer Olympics.

The Olympics give us a unique window of visibility," says Bill Crane, the chamber's

marketing director.
The initial advert simply tries to establish an identity for the city, according to Tod Martin of BBDO. It tackles international unfamiliarity with Atlanta by showing it as bome to companies such as Coca-Cola and Delta Airlines. As the Olympics approach, the adverts will increase in number and

length, says Crane. Atlanta is unlikely to be the last company to promote itself around the world on TV. The possibilities of this kind of marketing are just being discovered with the advent of worldwide television broadcasting networks such as CNN and BBC's World Service Television.

Barbara Harrison

# Italy plays by new rules

A code of conduct to police the bidding procedures for state advertising contracts has received a mixed reception, reports Haig Simonian

by ensuring that all future state advertising campaigns be solicited exclusively through public tenders. It has already attracted attention in other countries where uncompetitive business practices, such as "voluntary" contributions to a politician's electoral expenses. are believed to take place.

Foreign interest has been reinforced by the arrests of executives at Italian subsidiaries of at least two of the world's leading agencies. Even more embarrassing for the agencies is that the inquiries, which relate to alleged kickbacks to win business in the health ministry's big anti-Aids campaign, involve such a sensitive

The allegations emerged last month after Giovanni Marone,

secretary to a former health minister under investigation for alleged political corruption, began to reveal to magistrates how some ministerial advertising contracts

According to Marone, whose testimony has been widely leaked, some agencies paid hundreds of millions of lire to Francesco De Lorenzo, Italy's former health minister. Disguised as "campaign contributions", the payments were actually kickbacks to win lucrative public sector advertising contracts. De Lorenzo, who resigned earlier

this year after being put under investigation for an alleged iobs-for-votes scam in his native Naples, is now being investigated for a much wider range of allegations of political corruption, including kickbacks from some of italy's leading drugs companies. Marone's revelations led to a string of arrests in the advertising

Those involved included the former and current managing directors of the Italian subsidiary of Young and Rubicam; Claudio Maria Masi de Vargas Macciucca, the managing director of Publicis FCB MAC Italy, the Italian joint venture of Foote, Cone & Belding and Publicis of France; two directors of Armando Testa, a Milan-based agency, and an employee of DAPS, a local media

Enforcement of the new code of practice is to be supervised by a special committee, comprising judges and senior advertising and

public relations executives. Agencies will be required to inform their trade association what tenders they intend to hid for, and the supervisory committee will examine all tenders to ensure they are suitably transparent.

Should an agency suspect a contract is being awarded unfairly, it must denounce the proposed campaign to the supervisory body. The same applies in cases where some of the terms, such as abnormally short preparation periods to submit proposals, suggest the hid might be rigged. The aim. according to Contri, is to ensure contracts are won on the basis of "real factors, such as professional competence, experience and the nature of the services offered". But do the rules go far enough

of Strong Carles

abuses occurred.

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NATURE OF BUSINESS Central Scotland Police is the second smallest of Scotland's eacht forces. With its headquarters in Stirling, it covers an area of approxima 1,000sq miles between the Forth and Clyde estuaries. 11 is divided into two territorial divisions and runs six local command units.

Employees: Around 800, including an astablishment strength of 649 officers and 150 civilians. Crime statistics: Reported crime within central region has shown a decrease to April 1993 of 1,974 crimes, 7.9 per cent down on the previous year, with a detection rate of

55.9 per cent. Key Personnel: Chief Constable William Wilson, Inspector Peter Watson, Trace project leader. Detective Constable Tom Newlands,

TECHNOLOGY FILE Software: The Trace system, Total Retrieval Administration Crimes and Events - is based on Memex software for text information retrieva called the Memex Information Engine. With development and implementation from Central Scotland Police, Memex has made this into a police product, Crime/Criminal Information Management System CCIMS, already used by Fife Constabulary, under the name Focis. Fife Occurrence and Crime Information System. (Trace works on PCs and Unix workstations and

"bolts on" as a front end to existing

Currently all connections to other databases such as PNC2 are ad hoc, but a permanent live link with the Crown Office and the Procurator Fiscal is planned in November. Supplier: Memex, now based in East Kilbride, was founded by Edinburgh academics. Fred Heath and Graham Woyke, in 1979, and was bought by microfiche supplier Microfilm Reprographics Data Management in 1991, Memex had a turnover of £1.4m in 1992-93. Hardware: A central Sun Sparcserver 670, in a distributed X25 network with 4 Sparcstations, 2 computers, all running under the Unix operating system, it supports 320 dumb terminals, 25 intelligent terminal Sun X-stations and two PCs for imaging. Value of system: Cost was about £900,000 with about helf, £550,000

accounting for hardware and

communications.

Police in central Scotland are no longer dominated by form-filling since project Trace, an IT system that allows access to a wealth of intelligence, finds Claire Gooding

# Detectives of the database

#### AT WORK

central Scotland. Coming online in Alloa is a computer tion in any form available - paper. voices, video frames, mugsbots and search for coincidences and common factors across a series of

By linking with existing datahases and making free-text searches across all sorts of data, the police can make the most of even fragments of information, such as the colour of a van and just one letter of its number plate. The Criminal Intelligence Application is the second phase of a project called Trace. which has already cut paperwork in half since the first phase went live at the end of March.

Now it is enabling the police to make connections between events, crimes. locations, even rumour, hearsay and the background know ledge that comes from years of experience. Walk into any police station to report a lost dog, and the paperwork takes at least 20 minutes. Form-filling is the tedious but essential part of policing and it steals time from activities the public sees as more important: patrolling and solving crimes.

Once a charge is made, the paperwork escalates and accuracy is vital: poor paperwork provides legal loopboles, Central Scotland Police confirmed their worst suspicions when investigating procedures two years ago - the same information was often filled in up to 27 times on various forms.

The research team interviewed nearly 300 officers of all ranks, with experience ranging from six months to nearly 30 years. The examination included the end-purpose of the paperwork: what elements were vital for the Criminal Justice System, the Crown Office and other ultimate users outside the police. "I was looking for a system that

would make the front line police-

man's joh easier and cut down on the paperwork they are inevitably required to do," explains William Wilson, the chief constable of central Scotland. He was not alone in feeling these needs would not be met by "off the shelf" solutions available from the main suppliers of police systems, including McDon-

nell Douglas and Bull. Wilson sits on the Police National Computer board and represents Scotland on the police Technical and Research Committee. In his pre-vious job as deputy chief constable

ordinate significant investigations. Central Scotland wanted a system that would give them access to all these existing resources and their own databases, cutting out repetitive paperwork. They got that and more - a system that could provide real "intelligence" and the ability to

make connections. For police use, the system has been tailored into a product known as CCIMS - Crime and Criminal Information Management. The central Scotland implementation. Trace, goes one step further accord-

#### ■ RUZZWORDS

Free-text retrieval describes the storage, search and retrieval of large quantities of word-based data, now also known as "full information management". A soundex search retneves all words of the same sound but varied snelling. A fuzzy match allows a search to be made on an approximation of a word. A wild card search looks for any number of characters which might explain an indistinct word: Torloisk, recorded in the drugs raid, was found to be the name of a wood by searching an intelligence database of previous drug cache locations.

in Fife, his interest in technology led to a joint development with Memex, whose software he had discovered on the police grapevine.

The software, called the Memex

Information Engine, enables users to make fast, free-text data retrieval (Textract) across a number of different databases. Several systems already help the police in various areas: PNC2, the Police National Computer and Holmes, used to co-

ing to Wilson. "It gives us the edge think it's a new era for policing." The project required special fund-ing and an investment in manpower, involving two senior inspec-

tors for two years.

The development principles were that everyone on the force should be able to use the system, (unlike the PNC2 computer), and that it should adhere to all existing stan-



Tom Newlands (left) and Peter Watson, face to face with the new computer system

dards, both technical - such as Gosip, the communication standard and those used internally in the police and justiciary. It also had to provide 24-hour access to existing

first-time users. Text retrieval often relies on the text being pre-indexed for keywords. Free-text retrieval allows any word or part of a word, even an approximation of it - known as a "fuzzy match" - to be sought and

latabases and be user-friendly for

match The Memex Textract software gets round the problem of slow retrieval due to storing enormous amounts of information by compressing data, using special codes and algorithms. Its speed enables it to capture new data generated hy everyday incidents and police work and connect it with other available

"People are restricted by budget. hut the beauty of this solution is that it doesn't force you to abandon investment or change direction,

because it can work with almost any existing database," says Wil-

inspector Peter Watson has led the Trace project since the initial research. "One of the overriding considerations was that it had to allow expansion with ease. The system isn't just representative of the force workload, it is the workload. It's been designed to facilitate everything the officer does," says

The next step, coming into force this week, is a multimedia extension, the Criminal Intelligence Application, which brings video clips, paper records, photographs and voice data onto one screen.

One demonstration of the extensions uses a real example – a search based on a recorded telephone conversation, reported by a radio amateur. The name of a local wood, a villain's nickname and the mention of a manhole cover, became search elements that put the police onto a leading drug ring. "Without the

Textract facility, that tape might have gone into someone's drawer as interesting hut useless data and never been exploited for what it could tell us," says Detective Con-stable Tom Newlands, a member of the Trace team. "It's very flexible: it can take its data from any media, any source, from old hlack and white prints, to electronic-input," says Newlands. "It can also compress a PNC2 dump to one fifth of

. . . . P.

होंस देशका

Replacement of the control of the co

A screen menu details every form-filling task possible: results of breathalyser tests, statistics reports, property crimes, lost and found register. A high proportion of information is available through default, so that certain Items appear on the screen automatically, saving keystrokes and increasing accuracy. Every address and post code in the area is on file. When in doubt, a user can "point and pick" from a look-up table of options, such as crime codes.

Wilson does not plan an assess-ment until the system has been in place a year, but benefits are already visible, such as the few seconds it takes to check an address.

According to Inspector Tom Sneddon, an everyday end-user of Trace at Alloa, a lot of information that was not immediately relevant used to be lost. "The problem is that you never know exactly what might be useful. Now it just sits there - it's there when we need it."

Benefits in local information-sharing with Fife are also apparent, and Wilson is keen to see the system adopted elsewhere: "I never envisaged it being as comprehensive as it now is. We started with log entries and basic crime reports. Now we've gained a distinct head in terms of technology and the individual officers-are the main beneficiaries."

Non-executive

directors

■ Mike Kitchiner, a consultant with the European

Centre for Plastics in the

Environment and former manager, environmental

affairs - polymer division, as

chairman of SAVE A CUP on the retirement of Derrick

■ Neil Lewis, deputy chairman

of Oriel Group, at CATTLE'S

#### CONSULTANT'S CRITIQUE

Code books conventionally hide information. The Memex Information Engine uses them to retrieve it. in the system, every word in e document can be reduced to a code of between one and three characters. If the average word

reduces the space required to store the information. When looking for specific words in the database, the search program examines the code book for each document. If the words do not appear at

all in a document there is no

compression of about 3:1. This

has six letters there is a

need to look at the full text. This speeds things up. Huffman encoding, a more advanced version of this idea, has been around for decades. Nearly every leading data compress utility uses some variant of it. Memex has spotted how encoding can be used to real advantage in searching - the heart of document

management systems use "keywords" are identified and these are stored like labels to aid future searches, Often

this is done manually and it is error prone. The Memex system searches more effectively because all the words in e document act as keywords. A simple example was a hunt for a car used in a crime. The Holmes database produced 40 suspects. Trace turned up a further two that had been missed. Trace has allowed Central Scotland Police to Integrate information from a wide range of sources. The **Police National Computer** 

cannot search for car

known, Trace can, by

of British Rail, is to monitor

standards in England's further education colleges. He will be the inaugural chairman of the

Fnrtber Edncatinn Quality Council, a council set up under

the government's auspices to

ensure that adult education

institutions are spending public money well and efficiently.
Further education is some-

what unlike British Rail in

that the government has ambi-

tious plans to expand it over

the next few years as part of its move to increase the num-

bers of students whn stay in education after the age of 16.

However, like British Rail,

the colleges have recently

undergone a period of turmoil as they were transferred from

local education authorities to

direct government control at

By appointing Sir Boh, who

can expect to find the post

demanding albeit part-time,

international equities at fund

managers invesco, has been headhunted by Carnegie Group to run its UK arm, Carnegie

the beginning of April.

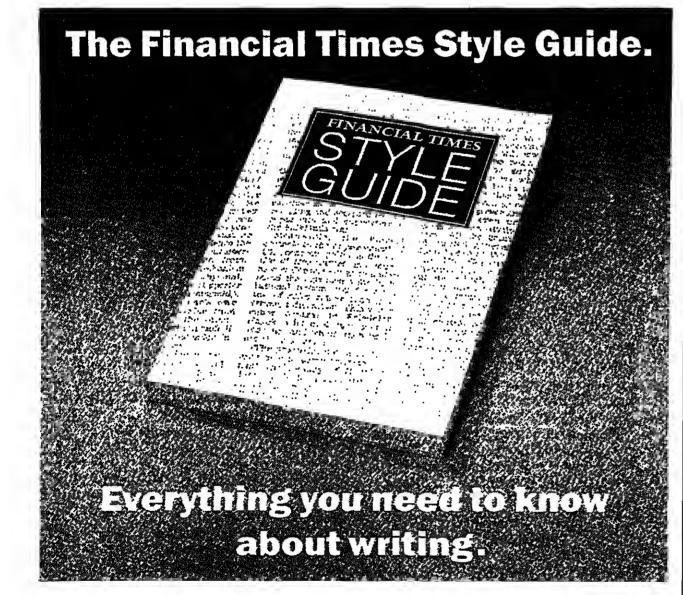
registrations when one letter is

searching a dump of car details taken from the PNC. Data from many sources can be combin to extend the search

I liked the graphical front of voice and video. Mer med to have spent time getting close to the police and tailoring the system to their needs. Everyone appeared to like the system and said it would help them do their job

Keyin Grumball The author is a consultant at Software Design and Construction, of Milton Keynes

#### **PEOPLE**



The Financial Times Style Guide has been created to offer advice on all aspects of good writing practice. It outlines basic rules, highlights common errors and includes current forms of spelling.

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financial, scientific and technical terms. Brief explanations of commodities, computing, energy, stock markets and financial indices together with main world currencies. Law and libel can be checked at a glance. The Financial Times Style Guide is only avail-

International; he replaces Lars Bertmar, who remains the hroker's group chief executive. through a turbulent few years, is just beginning to repair its UK operation, and, after a wave of departures, seems to be stemming the staff exodus. But 41-year-old Stevens (right) 1991, Bertmar, a former corposays "it is all about opportunities and how well they fit your aspirations and character". He has a high respect for Bertmar as "a thinker" and approves of

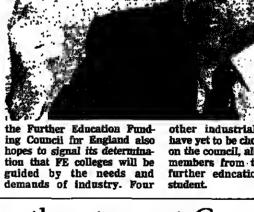
instance particularly southern Carnegia has itself suffered

on niche markets, in this



rate financier at Svenske Handesibanken, sacked the three senior managers of Carnegie International, and took responhis strategy of concentrating sibility for London himself. Stevens' joh will he to mar-

ket the services of the analysts around Europe, "to make sure the product is appropriate for some upheaval. At the end of the UK market" as he puts it.



other industrialists - who have yet to be chosen - will sit on the council, along with five members from the world of further education, and one

The Spanish and Portuguese

ratings in their country sectors. Bertmar also has ambi-

tions to build a corporate

finance capability in those countries, from Spain to Tur-key, where there is brokerage

While ha has not worked

inside a merchant bank's cor-porate finance division, Ste-

vens spent a couple of years in

the corporate planning department of Grand Matropolitan

and beld a similar job at Ocean

Transport and Trading. Stevens may soon find him-

self working for a new owner,

as Carnegie's parent, the trou-hled Swedish Nordbanken, said

more than a year ago that its

profitabla brokerage subsidiary

was up for sala in order to

allow it to concentrate on

domestic banking husiness.

teams already top the Extel

#### HOLDINGS ■ Roger Carey, group and of Slough Estates, at TR

PROPERTY INVESTMENT TRUST. ■ Jean Tyrrell, having retired as executive chairman at the age of 75, at SIRDAR.

■ Neville Bain has retired from LONDON INTERNATIONAL GROUP ■ Alan White, a former director of Sir Robert McAlpine, as chairman at BARNSLEY HEWETT &

MALLINSON. ■ David Winterbottom, former chief executive at Evode, as

chairman at ATCO-QUALCAST Richard Desiandes has

resigned from BERRY
STARQUEST.

Stephen Alexander (below left), md of J Lyons & Co. at DEVRO INTERNATIONAL ■ Rohan Courtney (below right), chairman of Starling Trust and of Swaine Adeney Brigg and a former chairman of the British Overseas

Commonwealth Banks Association, as chairman of INTERNATIONAL PACIFIC SECURITIES; he succeeds the late Philip Chappell.



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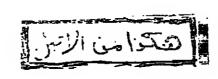
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# Much ado about glamour

funny thing happened to Kenneth Branagh's Benedick and Emma Thompson'a Beatrice on the way to Messina, Sicily, the set-ting for Shakaspeare'a Much Ado About Nothing. They were waylaid in August Pointing. They were waytain in Tuscany – much prettier – and decided to film there. William Shake-speare, technical adviser emeritus. murmured grudging approval from the grave; parched southern plains were replaced by vine-clad northern bills: and signed-up Hollywood stars Denzel Washingtoo (Don Pedro), Keanu Reeves (Don John) and Michsel Keaton (Dogberry) could be made to feel at home in Italy's answer to California's Napa Valley.

Much Ado About Nothing is a travesty, but oh what a lovely one. Hav-

> MUCH ADO ABOUT NOTHING (PG) Kenneth Branagh

IN THE LINE OF FIRE (15) Wolfgang Petersen

> LE SAMOURAI (PG) Jean-Pierre Melville

BENNY'S VIDEO (18) Michael Haneke

ing found found Branagh's Henry V oear-unsittable-through as an essay in penurious perversity - all that Olivier pageantry expelled, all those Olivierdumped conspiracy scenes shoved back in - I find myself all for perversity when it is as glamorous as this. Filmed in eternal sunshine in the Villa Somewhere-or-other, the Bard's darkest comedy is shaken about like glittering gold foil. Even the melodrama scintillates. Poor Hero (Kate Beckinsale), framed for infidelity by wicked Don John (Keanu Reeves in black leather trousers) and spurned by fiance Claudio (Robert Sean Leonard), takes the only course a young gel could in those days (the days of convoluted Shakespearean subplots) and pretends to have died. But played for serio-comedy by Branagh's mixedrace thespians, even this ancillary tale takes on a loopy splendour. We are so colourfully discombobulated by the anything-goes casting - Don Pedro a black American, Claudio a white American and Hero's father a true Brit (Richard Briers) - that our minds home in on what seems by comparison the darkly steadfast real-

ity of the story. As for Benedick and Beatrice, there is little scope for improvement. Pro-

esides its stepped.

ducer-director-star-adaptor Kenneth Branagh, after a talent search the length and breadth of his living room, cast Emma Thompson as the haughty love-spurning lady. The Oscar-fresh actress repays the kindness with a delicious performance: it manages like fine wine to be at once rich, intoxicating and amused at its own presumption. Branagh bimself, bearded, busy, bemused, his doughy face improved by baking in the sun, tosses the lines about with as happy a comic dexterity as he juggles with an anachronous deck-chair.

The Americans span a gamut from the excellect (Washington) via the adequate (Leonard) to the awful (Keaton's hoarse-voiced Dogberry, Irishing away like Barry Fitzgerald with laryngitis). But this film is, in the best sense, a party. All who come are served; even the odd bore lends variety (provided he is odd enough); and if, dear reader, you feel there can be no final excuse for turning a Shake-spearean play into a star-studded Tus-can travelogue, I suggest that you go to see the film and get mugged by its magic as I did.

The two greatest landscapes in American cinema are Monument Valley and Clint Eastwood's face. That scorched. beaten-leather physiognomy is back again in In The Line Of Fire. It fronts a plot more catchpenny than the majestic Unforgiven - guns, chases, psychos, Presidential assassination bids - but just as astonishing for its

further revelation of Clint the icon. He now resembles some photogravure from the old West, fissured with facial fault-lines and landmarked with craters and ridges, who has been inex-plicably spirited to new Washington. The Eastwood voice goes with tha Eastwood face: a cracked, caressing whisper sandpapered by eternity. This man surely spent his life standing at the edge of deserts, his features sculpted by the sandstorms, his voice by the dehydrating winds?

But no: he has spent his life on the Californian coast where the only deserts are inside film producers' brains. In The Line Of Fire is medium-good Clint fare. That is to say, it has an idiotic plot redeemed by the action set-pieces, the one-line wisecracks and Bastwood himself. He is a White House-attached Secret Service veteran who longs to redeem his lapse back in 1963 when he failed to stop the bullet that killed JFK. (Note the dawn of the Failed Presidential Security-Man movie: see also Kevin Costner in The Bodyguard, haunted by the bullet that passed him to hit Reagan).



Waylaid in Tuscany: Emma Thompson and Kenneth Branagh in Much Ado About Nothing

John Malkovich, with cupid lips and psychotic purr, is the would-be assassin of the new President and J.M. and our hero spend much of the movie exchanging verbal vecom down a telephone line. This allows us to watch Eastwood silently reacting to Malkovich's voice-off taunts and to savour the star's parchment-textured phiz writing palimpsests of silent emotion onto the screen. Later the film erupts into the streets and becomes far less scenic. After Clint the Movie here is Hollywood the Puppet-Show. Everyone chases everyone else down alleys, over rooftops and into assassinatioo-ready VIP hanquets where the screams of the guests lie in waiting along with the silver-covered

Germany's Wolfgang Petersen (The Never Ending Story. The Boat) joins the oew generation of Hollywood action directors drafted from Europe. Like Paul "RoboCop" Verhoeveo and Renny "Cliffhanger" Harlin, he has a mechanistic efficiency in actioo sequences and a Nordic delight in knife-twisting in scenes of emotional stress or suspense. Would an American director, apart from honest Clint himself in Unforgiven, portray Eastwood as quite such a racked Grunewald preseoce? Or eocourage the sceoe where our here breaks down in tears at the memory of that day in Dallas? After this, Eastwood looks as if he could go straight into the histrionic heavyweight ring and give us Buchner or Strindberg.

Eastwood, like all icoole screeo heroes, started impassive. So did France's Alain Delon. We see him young in Jean-Pierre Melville's reissued thriller Le Samouroi (1967) where our cantishero is a walking mannequin in trenchcoat, hlack hat and charismatic scowl. Delon imparts a perverse, unvield-

ing glamour to this plot about a gunman, a girl (Nathalie Delon), another girl (Cathy Rodier) and a police inspector (François Perier, fieodish, funny), all playing existential cat and mouse as if they have just read Con-rad's *The Secret Agent* in Freoch. Deloo kills for hire; he keeps a caged budgerigar, he steals cars; he wears secret smirk. These are all anti-social activities, but they are reodered magnetic - nay more, mystical, profound, inviting - by that strange ability movie stars have to make "Keep Out" signs read like "Come In".

As In Eastwood's movie, nothing

measures up to the ceptral presence Jean-Pierre Melville is a modish name in cinephile circles and still deserves respect for films like Les Enfants Terribles and L'Armée Des Ombres. But Le Samourai is the fag end of firstgeneratioo Freoch film noir: a shadowy, blue-hazed teaser that twists and twiris its little plot of betrayal and counter-hetrayal amid sets and costumes that themselves betray the incoogruous dawn of 1960s hedonism.

Benny's Video, by Austriao filmmaker Michael Haneke, has an impassive criminal for our own times, A boy with a bedroomful of video equip-ment "motivelessly" kills a young girl: on camera, with a slaughterhouse gun, to the acrompanimeot of her screams. His pareots later see the offending video and are shocked rigid. But they try to sweep away the evidence for Sonny's sake. Then, weeks later, Sonny thinks, "What a perfect opportunity to sweep them away."

This bleak, mordant, lan McEwanish story is spun out to 105 minutes: a leogth at which it starts to seem less like a darkly ingenious fable than a single meretricious Idea surrounded by quantities of narrative cladding. Wait for Benny's Video the video, and be prepared to use the fast-forward.

The Edinburgh Festival

# Schubert and Janáček operas

his was a competition Janaček was elways going to win. In the combative world of opera the festival's two main featured composers had opposite experiences: Schuhert retired hurt aged 25 after e number of youthful failures. while Janáček went on to compose a series of great operas in his sixties, which rank as his most lasting achievement. No fully-staged operas hy

either of them feature this year

in Edinburgh's programme (an important omission io Janacek's case). Instead, there was an intriguing evening, which presented two rarely-heard operas in concert - Schubert's Die Freunde von Solamanka and Janacek's Sarka. For opera-lovers this may have seemed e raw deal, hut it is always worth taking a risk with rarely-heard operas in case they hold untold delights. Janáček thought Sárka was a good piece himself. He wrote it in his early thirties, which makes it ooe of his earliest works to survive, revised it, failed to get it performed, revised it again late in life, and finally saw it reach the stage as a 70th-birthday tribute. It only lasts an hour, hut into that time an eplc in miniature is compressed.

The opera takes place way hack in Czech mythological history. An army of warrior women is roaming the land in protest against male domination, beating the men at their own game and causing consternation in the male camp at the daring exploits of their boldest fighters. No, Janáček is not about to raise his voice in the cause of womeo's rights; his interest had been taken by the nationalist undercurrent of the

plot, which can be read as e call to emulate the heroes of Czech mythology.

No doubt that is why the music is so impassioned. The score proceeds in fits and starts, hut its ideas are consistently strong, vivid, uplifting, because the composer wanted Sárka to make an impact. Among its best moments are a love duet huilt of disjointed musical motifs in the mature Janacek manner and a final act (all of 15 minutes loog) which is a Wagnerian threnody for the fallen hero. The interest rarely slackened in this lively performance by the BBC Scottish Symphony Orchestra under David Robertson.

i of istry weak erca. He hich is in rom ther the

It was also well sung. Sárka the warrior meid who amhushes and murders the man whom she then decides she loved, looks poteotially a heast of a charecter, but Helena Kaupová sang her music with calm and dignity. William Kendall hrought some strength to the hapless Ctirad; the supporting roles were well taken by Christopher Ventris and Neal Davies.

Next to this, the 18-year-old Schuhert's Die Freunde von Salamanka (wisely performed first) is an apology for ao opera. Nice people, an inoffen-sive story, no dramatic tensioo whatsoever and music which is so charmingly insubstantial that ooe puff of the Janacek hlew it all away. Despite a deceot cast of middle-ranking British singers, this concert performance showed that at 90 minutes, it is far too long. Wise young Schuhert to give up opera and move oo to better

Richard Fairman

## Transfixed by Berkoff

dgar Allan Poe and Steven Berkoff; a marriage made in Heaveo or perhaps for some spectators Purgatory. Both favour the wilder side; both plough their own imaginations; both choose the Gothic and place style before content. So Berkoff performing Poe's Tell Tole Heart is an awesome expe-

The silences, and the slow drawing out of certain of Berkoff's favourite words, like "stealthily", are only matched by his rat-a-tat explosions of action. As the mad man who murders the miser to avoid the Of his iisny Diue eye. Ber koff is as well matched as a sweater to Edinburgh. And as the drama proceeds from the slow laborious preparations for the killing to the rising, insistent, reproachful beat of the dead man's beart as it pounds from its hidden grave, so Berkoff winds up the audience to the pathetic climax. Sometimes the words are strangulated beyond meaning; but the body never fails to speak loudly and Berkoff even makes a virtue of mime. No one climbs an imaginary staircase better; oo one opeos the door with more

This is how Dickeos must have transfixed an audieoce at his public readings and if it owes more to Victorian excess. to the Henry Irving School of acting than to sophisticated realism, that is spot on for Poe. Berkoff brings death to life.

The other two mocologues in his show at the Assembly Rooms are superficial stuff some rhyming nonsense about a failing actor, and an East End tough singing the praises of his killer dog. But Berkoff uses his physical presence to more effect than any rival and he makes a convincing case for his self-proclaimed if slightly odd genius.

Twenty-three year old Crispin Whittell has hardly edged into the public limelight as a dramatist but this year's Killing Him (The Pleasance) adding greatly to the reputatioo he established last year with his play Sucress gest a great future.

Black (or White) Wednesday is already an important historical date and the tensions, both private, political and philosophical, that it generated are superbly captured in Whittell's play. The dialogue cracks aloog, with City slang, designed to make the awful seem palatable running happily with spouts of poetical lyricism. The style is so sharp that we take defeat and murder happily in our stride. The four characters screw each other and themselves to perfectioo but the moral survives beceath the wit in the audience's total ideotificatioo with the only deceot character, an unemployed birdwatcher, Wooderful acting; ao unexpected

**Antony Thorncroft** 

## Opera at Broomhill/David Murray

# Jonathan Miller's 'Ariadne'

lawns and gracious vistas, Broomhill -Sir David Salomon's old country house near Tunbridge Wells - boasts its own little Victorian theatre, virtually unused in this century. Four years ago the tenor Kim Begley discovered it, and an idea was born. Since 1991 the Broombill Trust has arranged summer seasons of concerts and "community opera", and this year its First International participants here are Opera Course too. Meanwhile the theatre has been carefully refurbished, with a fine orchestra pit concealed beneath the stage (as at Bayreuth). Somebody must be thinking, irresistibly, in mini-Glyndebourne

On the strength of Broomhill's current Arindne nuf Naros, that is not unrealistic. Strauss's opera is on just the right scale for the place: it was a pleasure to discover yet again how much more happily Ariadne plays in a small house, with the reduced band for

re forms

which he wrote so ingeniously. (Bigger houses have to fatten the string-sections, at the sacrifice of a certain appealing frailty - tackiness, even - in the orchestral sound.) But it is no kind of piece for mere students; and in fact most of the astonishing.

full-blooded young professionals, for whom the Broomhill "course" must count less as a study-camp than as an invaluable public showcase. The Broomhill music staff headed by Jean Mallandaine and Courtney Kenny, both of them distinguished keyboard assets (celesta and piano) to the excellent Britten Sinfonia in the pit - have done their casting cannily and well, with

satisfying results. The cast I

beard on Monday was more

than creditable, but there is a

whole alternate cast as well:

presumably not just a second eleven, since they were scheduled for the Royal Gala performance oo Tuesday. I wish I could have heard them too. The quantity of well-schooled operatic talent these days is

Jonathan Miller is the director, far more at bome with the Ariadne comedy than he was recently with the verismo melodrama of Giordano's Fedora (for Bregenz and Vienna). If Mark Bailey's vaguely Edwardian "designs" seem mostly cobbled together from rented costumes and the theatre's own faded backdrops, they supply all that is oeeded - where the last Royal Opera production provided an ultra-lavish, comedy-killing excess of everything, and the last ENO one a glum hi-tech mess. It matters that the Ariadne opera-withinan-opera is meant to be put on almost impromptu, in a Vienoese parvenu's Stadtpalais. Strauss and his librettist Hofmannsthal meant their Ariadne o.-within-an-o. to be a farcical confrontation between lofty opera seria manners and earthy commedia dell'arte. For assidnous British theatregoers. unfortunately, the latter label has become attached to manoered, direly unfunny exercises. Miller has had the good sense to scrap any "commedia" associations ln favour of unabashed Cambridge Footlights knees-up style, and it works. The brightest of his comics. William Dazeley as Harlequio, is a Cambridge product, eogaging eoough to

compensate for his somewhat

gruff, no-tender delivery of

his part as Strauss composed

'Lieben, hassen", the gem of

The streouously "beroic" role Strauss wrote for his Bacchus, the god who rescues the abandoned heroine from her death-wish, flatters hardly any teoor (not since Jess Thomas, anyway), but Nicholas Buxtoo copes with it manfully. His Ariadne is Rachel Sparer, a very tall American soprano: intelligently musical, strongly projected (in a hard-ish timbre which awaits maturer depths). too little sensitive to her visionary words - hut with delectable startled-moose reactions to the low-class commedia offensive. In this cast the young Composer is Teresa Shaw, upoo whose heartfelt "Musik ist eine heilige Kunst!" outburst Miller bas foisted rather too many donnish tics and twitches.

With their Zerbinetta, how-

can Sharon Rostorf - the Broomhill Trust has struck gold. If her top Es are steamwhistles, everything below those extravagant reaches is under insouclantly sexy control. In clown's trousers, some where betweeo raggedy-doll and rag-and-booe man (like her commedio cohorts), she is artfully tough, funny aod self-aware, even when Miller makes her go randy over the legs of a chaise-longue. Perhaps Zerbinetta's topmost reaches will oever be quite comfortable for her, but the personality, the plucky coloratura and ber wry aplomb should take her a good long

ever - the Israeli-South Afri-

House), Southhorough, Tuohridge Wells; box office 0892-517720. Further performances with cast as above Aogust 27, 31 September 4; with alternate cast, Aogust 28, September 1, 3

Broombill (David Salomons

# INTERNATIONAL

#### **■ DROTTNINGHOLM**

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. Figaro, a ballet-pantomime after Beaumarchais, choreographed by tvo Cramer with anonymous 18th century music arranged and conducted by John Lanchbery, returns to the programme for five performances between Sat and Sep 4. Edita Gruberova gives a recital on Sep 3 (08-660 8225)

#### **■** EDINBURGH

CONCERTS In the final week of the festival. Carlo Rizzi conducts the Royal Scottish National Orchestra and Edinburgh Festival Chorus in Verdi's Requiem; . Itred Brendel plays Schoenberg's Piano Concerto with tha South West German Radio Orchestra under Michael Gielen; and the Leipzig Gewandhaus gives two concerts under Kurt Masur. Liber Pesek conducts the Royal

Liverpool Philharmonic in the final concert on Sep 4. Ann Murray and Philip Langridga giva a late evening duo recital on Sep 1. Other recitalists include Felicity Lott. Dawn Upshaw, Anne Sofia von Otter and the Lindsay String Quartet.

Canadian Opera Company gives its European debut on Sat and Sun with a double-till of Bartok's Bluebeard (Victor Braun) and Schoenberg's Erwartung (Rebecca Blankenship), staged by Robert Lepage and conducted by Richard Bradshaw. Also at the Playhouse, Welsh National Opera performs Peter Stein's production of Verdi'a Feistaff next Thurs and Sat, with cast led by Donald Maxwell, Bryn Terfel, Suzanne Murphy and Claire Powell, conducted by Richard

THEATRE Berlin's Hebbel Theater presents the Bob Wilson/Gertrude Stein theatre piece Dr Faustus Lights the Lights at the Lyceum tonight, tomorrow and Sat. The final week has a formidable line-up: Peter Stein's German-language production of Shakespeare'a Julius Caesar comes to the Royal Highland Exhibition Hall direct from the Salzburg Festival, Berlin's Deutsches Theater brings Kleist's The Broken lug to the King's; and the Lyceum Theatre hosts a Glasgow Citizens' production of Jacob Lenz's The Soldiers, designed and directed by Philip Prowse. For those wanting a stronger Scottish flavour, tha Assembly Hall is the place to be: Tag Theatre Company is presenting its stage adaptation of Lewis

Grassic Gibbon's trilogy A Scots Quair, a classic of Scottish litarature.

DANCE This has been the weak point of this year's programme. The final show is the Bill T. Jones troupe, at the King's on Sat and Sun.

Official Festival: telephone bookings 031-225 5758. Military Tattoo: 031-225 1188. Fringe: 031-226 5257.

#### LUCERNE Mariss Jansons conducts the Oslo Philharmonic tonight and tomorrow

in music ranging from Dvorak and Shostakovich symphonies to Richard Strauss's Alpine Symphony and Tchaikovsky's Violin Concerto (Midori). Two concerts on Set. featuring the Lithuanian Chamber stra and South West German Radio Symphony Orchestra, place a special emphasis on the music of Alfred Schnittke, who is the festival'a first-ever composer-in-residence. The Russia theme is also pursued by the Royal Concertgebouw under Riccardo Chally on Sun and the Berlin Philharmonic under Claudio Abbado on Mon and Tues (with Evgeny Kissin playing Prokofiev's Third Piano Concerto in the BPO's first programme). The Bolshoy Opera Orchestra and Chorus give concert performances of Rakhmaninov's Aleko and Tchaikovsky'e Yolanta and Eugene Onegin (Sep 3, 4, 5), while choral and orchestral forces from St Petersburg givs the final programme of Rakhmaninov on Sep 8. Other visitors in the final are the Taverner Consort and week are the Tavemer Conson Choir under Andrew Parrott, the

English Chambar Orchastra with Pinchas Zukermann, and the Vienna Philharmonic Orchestra, which will give concerts under Daniel Barenboim on Sep 6 and 7. For anyone wanting a tireak from the music, there are paddle steamers on tha lake, trips up the Pilatus and Rigi mountains, and visits to the Transport Museum and Lion Monument (041-235272)

#### **■** MONTREUX

This year's festival is tha first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky, Montreux has never been known for its thematic content, but this year features e series devoted to French chamber music. including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan, Visiting artists include Alicia de Larrocha, Barbara Hendricks, Pinchas Zukerman, plus the Royal Concertgebouw, tha St Petersburg Philhermonic and Bavarian Radio Symphony Orchestras. Ends Sep 24 (021-963 5450)

SALZBURG Centrepoint of the final week is a new production of Mozart's Lucio la, which opened last night at the Kleines Festspielhaus and is repeated on Sat and Mon, It hrings together two alumni of Gerard Mortier's Brussels regime - the conductor Sylvain Cambreling and the stage director Peter Mus The cast is fed by Ann Murray and Luba Orgonasova. There is also a final performance tonight of Herbert Wernicke's new staging

of Montevardi's L'Orfeo, conducted by René Jacobs, with a cast led by Laurence Dale. On Sun in the Grosses Festspielhaus, Bernard Haitink conducts Johannes Schaaf's 1991 production of Die Zauberflöte described by Max Loppert on this page as a classic Mozart staging, with a youthfully fresh cast led by Anton Scharinger, Deon van der Waft, Ruth Ziesack and Sumi Jo. Next Mon, Georg Solti conducts a final performance of the Ronconi production of Faistaff, with José van Dam in the titla role. Tomorrow and Sat, Claudlo Abbado gives concerts with the Berlin Philharmonic Orchestra, while the Vienna Philharmonic plays a Bartok and Brahms programme under James Levine on Sat late attamcon and Sun moming. There are also afternoon performances in the Felsenreitschule of Peter Stein's 1992 production of Julius Caesar

#### STRESA

(0662-844501]

Situated on the shore of Lake Maggiore in northem Italy, Stresa offers some high-quality artists but no programme theme. This year's festival opens on Sun with a Tchalkovsky programma played by the Royal Philharmonic Orchestra under Yehudi Menuhin. Riccardo Muti conducts tha Scala Orchestra in works by Brahms. Busoni and Ravel on Sep 2, and Claudio Scimone directs I Solisti Veneti on Sep 13. There are also recitals by Tokyo Quartet, Wanderer Trio and Lazar Berman. The closing concert on Sep 16 is given by the Orchestre National de Lyon conducted by

Viktoria Mullova (Sattimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel 0323-31095 Fax 0323-32561)

#### **■ TANGLEWOOD**

For more than 50 years, the Boston Symphony Orchestra's summer homa has provided a relaxed setting for concerts in the heart of tha Massachusetts countryside. Tonight: recital by Omar Ebrahim, Yo Yo Ma, Pater Serkin and Emanuel Ax. Tomorrow: Marek Janowski conducts Tchaikovsky. Richard Strauss and Johann Strauss. Sat: John Williams conducts works by Tippett, Elgar and Bernstein, with cello soloist Yo Yo Ma. Sun afternoon: Janowski conducts all-Beethoven programme, with violin soloist Frank Peter Zimmarmann. Next Tues: Boston Pops. Sep 2: Gerry Mulligan Quartat. Sep 3: Tony Bennett and Count Basie Orchestra. Seo 5: Lincoln Center Jazz Orchestra and Ramsey Lewis Quintet. End of eeason (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

#### ■ VERONA

The Arena season ends with Khachaturian's hallet Spartacus choreographed by Yuri Grigorovich (tonight and Tues). Aida conducted by Nello Santi (tomorrow). La traviata with Maria Spacagns as Violstta (Sat and Mon) and Carmen with Elena Zaremba and Michael Devlin (Sun). Arcovoli 8-9 dell'Arena tel 045-596517 fax 045-801 3287.

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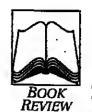
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# The government as a M r Yakov Eisenberg. director of Khartron, one of the two factories 'stationary bandit'



espectaily in tbe 1970s, oo the economic tensions affecting democracy. Competition for votes

tended to generate unrealistic expectations, contributing to the ootorious overload on government. Moreover, democratic government was infested with interest groups which badly affected economic performance.

The more careful writers in this vein did not say that dictatorships would perform better or as well as democracies. An American economist. Mancur Olson, who himself pioneered much of the earlier interest group analysis, has now gone on to analyse the endemic weaknesses of dictatorship. But, first, he makes important observations on the advantages of one type of dictator-shio over another and of most types over anarchic violence.

His starting point is the same as that of the English philosopher Thomas Hobbes: the need to prevent anarchic violence at almost all costs. The victims of violence and theft lose not only what is taken from them, but also the incentive to produce any goods for exchange with others. The worst curse that can be

suffered by a society in Olson's view is "roving bandits". Where these are prevalent no security of property exists, it is just as bad for the handits; and one of the biggest gains in human history ls wheu a bandit leader seizes a given domain, becomes a "stationary bandit" and himself begins to expel all other roving bandits. as did the successful Chinese

warlords of the 1920s. The rational stationary bandit will acquire a monopoly of theft, which he will call taxes; but the taxes will be extracted in such a way that the society still bas some incentive to produce. For the stationary bandit will be able to take more if he leaves his subjects with the means to generate taxable Income. "Thus we have the first blessing of the invisible hand: the rational self-interested leader of a band of roving bandits is led, as though by an Dictatorship, Democracy and Development By Mancur Olson American Political Science Review. Sept 1993

stationary bandits and democ-

that he wants to finance. A

Of course, a democratic gov-

from a minority to a majority.

But the majority will still have

a substantial market-generated income and thus care more for

the oroductivity of society

Olson has a less clear-cut theory of how democracy

emerges. He falls back, perhaps rightly, on accidents of history.

such as occasions when an

individual who orchestrates

the overthrow of an autocracy

is not strong enough to set up

another autocracy of his own.

This may leave a stalemate

and the need to work with

other groups. But the danger

will produce not constitutional

government, as in the case of the English Glorious Revolu-

tion of 1689, hut a weak state

in which rival violent groups

Some pessimists have con-

cluded that the autocrats who

rule China and until recently

ruled Chile were right; and

that the development of a

flourishing market economy

must precede civil liberties and

constitutional rule, whatever

the distortions and disadvan-

tages. But there are other mor-

als too. The more successful

record of the Czech Republic

suggests that a rule of law tra-

dition, covering property rights

as well as safety of the person,

can enable a constitutional

democracy to preside over the

Although Olson does not pro-

vide all the answers, he pro-

vides much more stimulus and

understanding than many holders of Nobel prizes and

takes us beyond the stale argu-

ments on which so many social

scientists are still impaled.

re-entry to capitalism.

flourish, as in Russia today.

surely is that such a stalemate

than would an absolute ruler.

government's takings.

invisible hand, to settle down, wear a crowo and replace anarchy with government."

Eventually the bandit establishes a dynasty and acquires respectability. History until relatively recent times has been mostly a story of the graduat progress of civilisation under stationary bandits interrupted hy occasional egisodes of roving banditry."

More needs to be said, however, on the difference between autocrats, such as the Bourbons and the Habsburgs, and



Olson: deft on dictatorships

the rule of the mafia. The word "legitimacy", which Olson does not mention, must come into a fuil explanation. Simply because it has been established for generations, a dynasty acquires some basis of consent eveu if people are not fooled about its origin,

There are other elements too. A successful legitimate government has more undisputed control over its territory than mafia leaders, who are often at loggerbeads with each other as well as the official government and are less able to protect the population. Thus matia leaders have more of the characteristics of roving handits. Yet, if one leader comes out on top and his family rules for generations, he too will establish a legitimate dynasty.

Olson comes into his own in analysing the difference

where guidance systems for the Soviet Union's space and nuclear weapons programmes were designed, is trying to muster enthusiasm for a new product: an orange plastic, public transport token.

In his office in the eastern racies. A dictator or bandit will Ukrainian city of Kharkiv, be want to maximise his own revsays with rather forced gaiety: enue and not care about the "The scientist who came up effect oo the national income provided that the tax-take is as with this had a really good idea, and I am proud to say that I was part of the group high as it can be. However modest his own needs, he has that helped to make this token an unlimited stock of prestige a reality." Holding the token to projects or wars of conquest the light, be explains that it is democratic government will care about the effects on the much cheaper to produce than the old, metal token and even harder to fake, because it conpopulation and oot just on the tains a sensitive metal strip. But then Mr Eisenberg sighs ernment might try to buy elec-tions by transferring income

deeply and explains: "Of course, this sort of thing is just a hobby for us. Our real work is to design guidance systems for nuclear missiles and space shuttles. We are as good at that as anyone in the world. But now we have no more orders.

Sighs like Mr Eisenberg's can be beard all over Ukrainian factories, as managers of some of the world's most sophisticated arms plants struggie to adjust to the end of the cold war and the disintegration of their largest market. the Soviet Union. The perva-sive mood at many defence factories, once the most cosseted and orestigious sector of the economy, is one of bitter nos-

For the Ukrainian government, striving to secure the new uation's independence. conversion of the factories to civilian uses poses one of country's most serious political and economic challenges

More than 1.5m Ukrainian workers and as much as 40 per cent of the country's industrial production were devoted to making arms when the Soviet Union existed. That is roughly equivalent to the number employed by American defence industry, but Ukraine's population is ooiv 52m. compared with 249m in the US. The government's attitude

towards conversion is ambivalent. Officials in the capital, Kiev, realise that military factories, many of which are standing idle but receiving state credits to maintain their workforces, are a drain on the national budget and one reason wby the inflation rate is running at about 50 per cent a

But the government is Samuel Brittan | unwilling simply to cut off the

# Conversion on the road to capitalism

Chrystia Freeland on Ukrainian coupons and the art of motorcycle maintenance



Simon Hiemans. UK ambassador to Ukraine, riding a motorcycle made by e tank factory in Kharkiv

credits - loans which are rarely repaid - and force those enterprises which are unable to convert to consumer products to close.

Mr Vitalii Shmarov, deputy orime minister responsible for the defence industry, says We cannot just allow ell of this tremendous technological potential to die. If we do, our country will be reduced to the level of a third world nation." Mr Shmarov wants to allow some factories to carry on making arms to seli ahroad, and at the same time to subsidise others so that they can switch to high-tech manufac-

However, Ukraine's parlous financial coodition means the government's room for manoeuvre is extremely limited, Economically, it cannot afford to keep paying the credits; politically it cannot afford to stop them.

The Malyshev tank factory in Kharkiv, which makes the sophisticated Soviet T-84 tank. illustrates the squeeze facing the government. Before the collapse of the Soviet Union. arms, priocipally tanks, accounted for 70 per cent of the plant's output. But Mr Hennadi Levchenko. manager, says that

since the first quarter of 1992 he has not received a single order from Moscow for tanks. Mr Levchenko and his work-

to extinguish oil-well fires. The latter are tanks with water cannon mounted where the gun turrets would normally be. So far, sales have not covered 'I do not care if I'm selling a tank or a toy. What matters is people

force are trying to adapt: they have started to make motor-

cycles and machines designed

costs. Mr Levchenko, who has kept a hig stained-glass hammer and sickle in the foyer of his factory, admits; "Our civillan products are only hringing

wanting to buy it'

So how is the Malyshev factory surviving? "We live on credits," Mr Levchenko concedes, estimating his factory's total 1993 debt at 12bn Ukrainian coupons (\$1.5m), most of it borrowed from the govern-

ment at an interest rate lower

than inflatioo and unlikely

Even though the Malyshev factory is in the red and operating at just over half its capacity, it maintains 3 work-force of 25,000. Mr Levchenko is proud of providing his workers with 19 daycare centres, a recreation hullding and two holiday health spas. He complains that the government has not given him enough money to finish building e sports sta-

For Mr Levchenko, conver-sion to non-military production is a waste of time anyway. His main aim is to keep his workforce intact until the government decides to build more tanks, preferably for countries in the new Commonwealth of Independent States.

He wishes that the Ukrainian military still formed part of the Soviet armed forces. If the split had not happened, as the Soviet Union broke up in December 1991, he could have carried on supplying the entire Soviet Union with tanks, he says. Now, Mr Levchenko hopes for the day when "the Ukrainian army becomes a real army and asks our factory to build it some new tanks". The Ukrainian minister of defence should, he says, be pounding his fist on the table and

demanding money for new weapons".
Such views are shared by other managers of defence plants in eastern and southern Ukraine, where many of the region's leading designers and manufacturers of nuclear manufacturers of nuclear weaponry are located. Some western observers suggest they are lobbying for a nuclear Ukraine. Mr Markian Bilinsky, a British international affairs academic, says: "Can you imagine the feelings of loss of prestige of factories switching from making some of the best military technology in the world to making ice-cream

o the south, in the city of Dnipropetrovsk, workers -who once huilt inter-continental bollistic misslies. for which Mr Eiseoberg's enterprise designed the guidance systems, are now producing machines to dry rose petals for perfume. Further west in Mykolaiv, near the Black Sea, the shipyard that produced all of the Soviet Union's aircraft carriers is switching to nil tankers - which are more lucrative hut considered so easy to build that the factory manager dismissively refers to them as "mere empty

But despite the reluctance of many former arms makers to hange either their products or their methods, there is o groundswell of private enterprise which is gaining momen-

It is being prodded along by men like construction company owner Mr Stepan Erdik who thinks there could be a western market for the Malyshev factory a four-wheel motorcycles. He has found a western partner, and they are buying 1,000 vehicles to sell in the UK and North America.

Although Mr Erdik, whose primary business is huilding houses and offices, has only 360 employees, in contrast with Mr Levchenko's 25,000, it is the former who is providing the finance for some imported motorcycle parts. He also foots the blii when Mr Levchenko travels to trade fairs in the

Mr Erdik does not share Mr Levchenko's nostalgia for Ukraine's once mighty defence sector. "What is conversion?" he asks rhetorically. "It is when factories that made goods which were not needed by the people are forced to make goods which the people want. I do not care if I am selling a tank or a toy. What matters to me is whether pecple want to buy it."

#### LETTERS TO THE EDITOR Number One Southwark Bridge, London SEI 9HL

# Pay laws a barrier to equality

ever to be repaid.

From Ms Kothy Sutton. Sir. Your report that the Equal Opportunities Commission and the Trades Union Congress are making representations to the European Commission about the UK's equality pay protection highlights the fact that UK law fails to guarantee fair and decent wages for women ("Brusseis

asked to rule oo Britain's equal pay laws', August 24). Throughout the 1980s and into the 1990s the government has tried to deregulate pay and employment conditions with policies that have disproportionately affected and discriminated against women, who make up the majority of people working in undervalued, iow-paid and low-status jobs. there has been no discernible direct effect on the levels of women's employment. Indeed

Over the same period Euro-pean equality legislation has enabled women to challenge deregulation and gain important new rights that have helped them on the road to being treated equally in the workplace - equal pay for work of equal value, equality in retirement and redundancy ages and, most recently, the right to decent compensation in cases of sex discrimination.

The government argues that it is creating opportunities for women. But each time it is forced to take action by Europe! London

women's employment. Indeed employment actually rose.;

are designed to disguise its opposition to policies that attack the widespread undervaluing of women's skills and contribution to the workplace. As wise employers know and understand, those are the policies of yesteryears.

Kathy Sutton,

following the introduction of the Equal Pay Act, women's From Mr Leonard Manassen. The government's arguments

Pay Equity Project, c/o Liberty, 21 Tabard Street;

#### himself no credit with his obituary on Alison Smithson ("A brutalist partoership dissoives", August 23). It is not so much an obituary

Sir. Your architecture corre-

spondeot, Colin Amery, does

Smithson

insensitive

obituary

as a continuation of his familiar polemic. It is true that Mr Amery recognises and pays tribute to the Economist group of buildings, but the remainder of the

article reveals his visceral Mr Amery's right to his opin-ions and to air them is not in question, but the brutal insensitivity of the headline and of the photograph Illustrating his

piece were less than chival-There must be hundreds of . photographs of the Economist building. The selection, which can hardly have been accidentai, of a view taken through a fish-eye lens, with its ludicrous distortion, make his praise of

the huildings seem a little hol-Would that Alison were her to respond. Leonard Manasseh, Royal Academy of Arts,

ble in the interim period before

the introduction of the single

currency that the markets will

test the resolve of the authori-

I am less convinced than Mr

Johnson that the UK is under-

estimating the will of its Euro-

pean partners to achieve mone-

tary union. The final decision

is political not economic. Wheo

political resoive has been prop-

eriy tested, as at the time of

German currency reunifica-

While the goal of monetary

union based upon monetary

stability is entirely laudable, it

is imperative that the political

ties to remain on track.

## Tackle new standard before it hurts place. This can and should be done rather than allowing the

From Dr A S Hearne. Sir, Peter Carty highlights

the hureaucracy likely to be created by BS7750 ("Struggling with new standards". August 24). The hureaucracy will be particularly severe for small and medium-sized companies. Rather than increasing their international competitiveness it could decrease it, as a direct result of increased administra-

Perhaps this would he acceptable if it led to improved environmental performance. But this is not the case: the

hest we can expect is improved monitoring of eovironmental The UK government is con-

sulting about both BS7750 and its European Community variation, the environmental management and audit scheme. However, the assumption is that the hureaucratic route to improving environmental performance has an important role to play.

This seems an unnecessary

dilution of the government's attempt to relate the environment directly to the market-

the accreditation and certification industry (which includes the British Standards Institution) to add a further level of non-productive costs to our hard-pressed busines Let's deregulate this one before it does any harm.

A S Hearne, managing director, RPS Group, Centurion Court, 85 Milton Park. Abingdon, Oxfordshire OX14 4RY

London WIV ODS

## Political differences are impeding European monetary union

From Mr R H Campbell. Sir. What a dispiriting article by Christopher Johnson ("Still on track for a single currency", August 23). He sees the achievements of the exchange rate mechanism as reducing inflation, giving banks windfall profits during the recession and providing the backdrop to the demolition of trade barri-

His third point perhaps has some merit but I would prefer to attribute the welcome moves to the single market to afflueoce in the 1980s and political unity. Trade language has stillened as growth has slowed. It is true that inflation in the European Community - Germany excepted - has been low in recent years, as it has all over the developed world. But I do not accept Mr Johnson's implication that, without the ERM, we would have high

the UK was worsened by the shadowing of the D-Mark, as was the recession by entry into the ERM and the two further years of high interest rates. The deflationary pressure of high real interest rates in a recessionary environment in France, Scandinavia and the Benelux countries, required by

Mr Johnson's second point is incredible. I am not averse to traders making currency profits, and it was certainly true that the UK banks, in particular, needed profits in order to rebuild balance sheets and prevent mocetary growth from stalling.

the ERM, has been damaging.

However, I am not sure large random cash transfers into the market from central banks are a rational policy response. A main beneficial medium-term impact of e fixed exchange rate system is competition on inflainflation in Europe. Inflation in | tion rates, yet the policy thrust

### of Mr Johnson's article is to for speculation is increased. It is sensible and almost inevita-

recommend a move to fixed

real exchange rates.
It is sad that, after the damage caused by an ERM operat-ing in conditions of world recession and divergeot EC economies, one can still read that "the case for one market, one money is as strong as ever". Surely it should be clear that, without political union, as in the US, monetary union is neither sustainable nor desirable?

R H Campbell 50 Learnington Road Villas London W11 1HT

From Mr Tony Hockley.
Sir, Christopher Johnson proposes another half-baked scheme for monetary union in response to the collapse of the previous one. immediately the goal of mon-

arguments are won before the economic arguments begin stary union for members of a

Tony Hockley 44 Marsham Court currency area is set, the scope Marsham Street, London SWIP 4JZ

tion, it has failed.

For those interested in Africa's future it will make essential reading. Africa: A continent at stake. The Financial Times

look at ways in which governments, donors and aid agencies are working to

Next Wednesday, the Financial Times is publishing a special survey entitled

In it we will outline and debate the current issues facing the continent and

'Africa: A continent at stake.'

Explore Africa next Wednesday.

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se in The

## FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday August 26 1993

# A moment for truth in Bonn

TODAY'S meeting in Bonn between Mr Edouard Balladur, the French prime minister, and Chan-cellor Helmut Kohl of Germany is a moment for sober reflection on the troubles at the heart of the European Community, Because this is their first encounter since the storm that blew down the exchange rate mechanism, mone-tary matters will undoubtedly loom large. With the two countries still at odds over agriculture, so will the EC's position in the Uru-gusy round of multilateral trade negotiations. With Bosnia burning and the European Community's role there under a deepening shadow, the two leaders may find time to fret together about the for-

But there is more at stake today than these individual issues. It is time for the French and German governments to take a more fundamental look at the strengths and weaknesses of their relationship, and to talk frankly about their interests - both where they coincide and where they diverge.
Nobody should underestimate

the underlying strength of the Franco-German . partnership. Taken individually, the issues that divide them are still relatively minor compared with what they have in common. Divisions over multilateral trade cannot detract from the economic integration that has made each the other's largest trading partner by far. Disbarmony over exchange and interest rates should not eclipse the two governments' shared desire to proceed towards a single currency. Neither these disputes nor friction over foreign policy can call into question the role of the Bonn-Paris axis as the driving force of the European Community. On the contrary: when the relationship comes under stress, the instinctive. reaction in both capitals has long been to close ranks.

Unflappable Balladur 🗆

That is one way of reading the events since the collapse of the old ERM. Despite the widening of currency trading bands, the ineffably unflappable Mr Balladur has gone about his business as if little has changed, with a downward tweek of interest rates here, a suggestion of closer economic policy co-ordination there, and the occasional diatribe against currency speculacheekily urged its partners not to cut and run after the debacle that it helped to provoke, may (just may) oblige with a half point cut in the discount rate today. enabling both countries to pretend that they are on course together for the second phase of Emu. Harmony will be restored, and the French will top it off - at a price with a promise to co-operate over the Blair House agreement with the US on agricultural subsidies.

Franc fort

The problem is that these agreements, like many that have pre-ceded them, will deal with the symptoms of the malaise, not the cause. On the monetary front in particular, Mr Balladur's understandable reluctance to admit the demise of his franc fort policy still leaves him performing an awkward balancing act between the needs of his domestic economy on the one hand, and the dictates of European policy (and French self-esteem) on the other. The former cries out for lower interest rates; the latter appears to dictate a floor under the exchange rate. And if he continues to insist on subordinating the former to the latter, ha will depend as much as ever on the whims - and perceived domestic policy priorities of the Bundesbank. Sooner or later as the political temperature in France rises, the two impera-tives seem bound to collide.

It is undoubtedly a horrible dilemma. What it - and the accompanying political clamour in Paris - underlines is the way in which the balance of power between France and Germany has shifted since German unification. For all his public poise, Mr Balla-dur is crossing the Rhine today essentially as a supplicant. It is Germany, more than France, that now has real policy choices in Europe; and as the ERM debacle illustrates, post-unification Germany will sometimes choose to subordinate the needs of European co-operation to the interests of combatting inflation at home.

The underlying problem in the Franco-German marriage is that the two countries have yet to conduct a full and frank discussion of how their European ideals relate to their national interests. If today's meeting helps to clarify that fundamental question, it will red a meeful

# Nasa lost in space

THE NASA scientists listening with increasing desperation for radin signals from their Mars Observer spacecraft realise that much more is at stake than the \$1bn mission to study the red planet. Failure to make contact with the silent probe would be a crushing blow to future missions to Mars, which had been designed to use Observer for communications and/or for spotting promising places to land on the planet's surface. More generally, an Observer write-off, following a string of other technical and managerial disasters, would raise the most fundamental questions about the US space agency and the management of its \$14bn-a-year bud-

Nasa's morale has never fully recovered from the 1986 Chal-lenger disaster. The manned shuttle programme is still plagued with technical problems. Several scientific missions, including the Hubble space telescope, are per-forming below par, And poor leadership has left Nasa's plans to build an nrbiting space station in disarray; Congress may yet kill

the project.
One part of the agency is still running well, its public relations. But even a PR machine that makes the most of every npportunity - for example, trumpeting fuzzy pictures from the space telescope as hreakthroughs in our understanding of the universe cannot disguise the fact that Nasa

The problem is that the gung-ho
Nasa of the 1960s, geared up to
beat the Soviets to the moon and then the planets, has grown into an elahorate hureaucracy. Its senior managers, including several astronauts from the glnry days, tend to be more interested in running multi-hillion dollar megaprojects than cost-effective scientific missions. The emphasis is on technology rather than

Radical solutions

Given the reality of Washington politics, the most radical solutions are not feasible it might make sense, for example, to remove the space science activities, such as observatories and planetary exploration, from Nasa and fold them into the National Science Foundation. Nasa would then be responsihle for manned activities - the shuttle and science station - and for promoting space technology. But the agency has too many defenders, in congress and the aerospace industry, who would fight to prevent anything that

looked like a break-up.
So the overhaul has to take place within Nasa's current boundaries. The first requirement is to make sure that space exploration is really led by science rather than the internal agenda of Nasa managers. That means giving scientists outside the agency, particularly from universities, more say in its programmes. The practical result is likely to be a larger number of smaller, more flexible - and more imaginative – missions than Nasa is planning today.

International plans

Secondly, Nesa must change its mentality more quickly from a national space agency to a partner in international programmes. Progress is being made. This summer a three-way collaborative project was announced: a gammaray observatory called integral ray observatory called Integral that will carry a US instrument on a European satellite, in be launched by a Russian rocket in 2001. It is the first mission designed from the start to involve Nasa, western Europe and Russia More would be welcome.

The European Space Agency's science programme, known as Horizon 2000, is indeed looking increasingly attractive to some Americans as a model for Nasa. Although a dozen European nations are involved, Horizon 2000 is less bureaucratic than Nasa'e is less bureaucratic than Nasa'e blg-ts-best space science programme, and it is more open to outside participation. Another great advantage is that Esa projects, nnce approved, have far more stahillty of funding than similar Nasa missions, which suffer frequently in Washington's annual budget battles.

If Observer remains lost in

If Observer remains lost in If Observer remains lost in space, the lesson will not be to give up missions to Mars but to stnp putting \$1bn into a single interplanetary basket. Indeed the likely scientific dividends would justify sending an international fleet of spacecraft to observe all the planets in our solar system. But they need not be grandiose Nasa-style craft.

s the UK's fruit-picking season gets under way, the pretty apple orchards of Kent and Sussex are teaming with what the Inland Revenue calls the "ghosts" and "moonlighters" who make up Britain's blooming hidden

These phantom employees, for whom the Revenue has no records, work not just in agriculture, but as waiters, cleaners, salesmen, mini-cah drivers and decorators. They have one thing in common: not a penny of their earnings finds its way to the exchequer. Their combined efforts make up the UK's informal or hidden economy - legit-imate economic activity that is not declared for tax.

For a government that is looking at all areas of public spending to find possible cuts or extra revenue. the informal sector would appear to provide rich pickings. Mr Peter Lilley, social security secretary, has raised his cabinet profile with a mmer campaign aimed at saving fibn by stopping the "selfish crimes" of social security fraudsters. Stepping up efforts to crack down on tax evasion would seem the logical corollary. But the absence of accurate fig-

ures on the size of the black econ-omy - by definition the transactions involved are not declared makes it impossible for the government to judge the tax losses involved. Moreover, the sums involved in each case of tax evasion are usually petty. And so, although it would not want to give the impression that it is lax in combatting tax evasion, the Revenue some-times turns a blind eye, focusing nn those areas where the returns are potentially greatest.

"There comes a point where it is not worth our while to chase evad-ers," said an Inland Revenue spokesman. "We don't go for totally stupid amounts of money. If somebody makes a £50 profit out of renting their drive to people with cars during the Wimbledon champion ship, we are not interested." The Revenue cannot afford to be

too complacent, however, because the number of people making up the hidden economy has almost certainly grown in the past few years. Several factors might explain an

 An unemployment rate of 10.4 per cent which has forced people to be more enterprising in the ways that they earn money. "There are clearly people who

cannot get jobs in the formal econ-omy but who are interested in supplementing what they can get through social security," says Mr Stephen Smith at the Institute for Fiscal Studies, in the last financial year, Department of Employment inspectors carried out more than 260,000 investigations into people who were claiming unemployment benefit while also working.

 The pressures on companies during a recession to collude with employees and encourage them to sign on as unemployed while paying a low wage to top-up state bene-

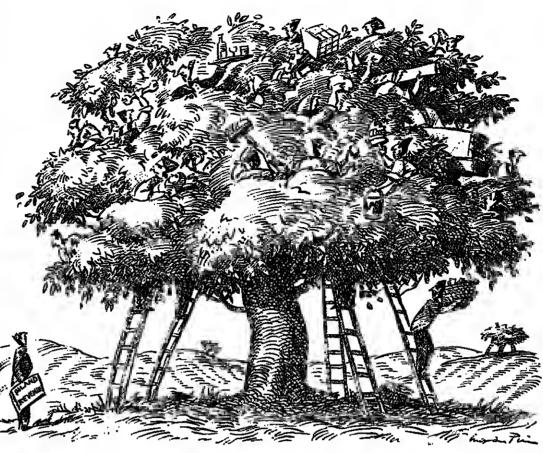
om Winship, Investiga-tions manager of the Inland Revenne Compliance Unit in Slough, believes that most people are basi-cally bonest and willing to pay their taxes. "We are not in the husiness of putting people out of business. We just want people to join our club and be contributors,"

he says. His team of four officers is one of the few branches of the Civil Service that can show a financial return on its activities. For every £1 spent, it collects £5 from tax

"People are apprehensive of us but we do generally try to be understanding," he says. "We don't seek to crush people to death. After all nobody likes paying tax and we don't get a discount because we work bere."

Winship's team pursues nnpaid schedule D Taxes - those levelled nn the self-employed. Slough has between 8,000 and 9,000 people registered to pay schedule D, and the office investigates about 1,000 sepaThe UK's blooming informal economy poses a taxing dilemma for the government, says Emma Tucker

# The temptations of forbidden fruit



fits. The Revenue believes such behaviour is more common among smaller companies. "Some companies might find it easier to survive by slipping over the boundary of legitimacy," says Mr Madsen Pirie, president of the Adam Smith insti-tute, the free market think tank. He adds: "During a recession you would expect the percentage of informal activity to increase as a proportion of the total as some marginal legitimate businesses go by the board."

 Changes to the structure of the labour market, including a move towards more part-time, low-wage, service sector jobs. More flexible working practices mean it is easier for employers to take on workers on an informal basis. Caterers, for instance, could be paid in cash, but employing a car production-line worker in a large factory would entail an employer filling in official paperwork. in spite of these factors, however,

tax compliance remains relatively high in the UK, compared with

other European countries such as Italy and Greece. The Revenue says the widespread use of the Pay As You Earn system, which is administered hy companies on behalf of the Revenue, makes it difficult for most people to influence their tax bill. Out of 24.5m taxpayers in 1992-93, about 21m were on PAYE. Econo-mists and tax collectors say the simplification of the tax system and the reduction of tax rates over the past 10 years may have made it harder and less worthwhile to evade tax. At the same time, while the num-

ber of people involved in the hidden economy has probably grown, the value of the sector has been constrained as much by the recession as legitimate activity. "There may be more people offering to tarmac drives, but there will be fewer people accepting," says a Central Sta-tistical Office statistician. Estimates of the size of the infor-

mal economy must take account of this confusing picture. Some European countries make explicit adjustments to their national accounts to

reflect the value of informal activities. In Italy, for example, the nfficial estimate of the informal economy is about 16 per cent of GDP.
In the UK, the only indicator the
CSO can offer is its so-called "evaslon" adjustment, the difference between GDP measured by expendi-

ture and GDP measured by income and used to balance the national accounts. But the CSO does not pretend that it gives an accurate picture of the size of the hidden economy. "We have enough trouble trying to get the formal structures of the economy to add up, without having to worry about the bazy parts," a spokesman said. Currently, the "evasion adjust-ment" is equivalent to about 1% per

cent of total GDP, amounting to some £7.4bn in 1992. Government statisticians consider that figure an understatement of the extent of informal activity.

Estimates by independent economists are probably more accurate but are still open to doubt. Mr Smith, of the IFS, puts the value of

the hlack economy at herween 3 per cent and 5 per cent of GDP, based on research into consumer spending in areas where such activity is prevalent, for instance painting, decorating, cleaning and gardening.

He says that even if as much as helf of all expending and constant as much as helf of all expending the says that even if as much as helf of all expending the says that even if as much as helf of all expending the says that even if as much as helf of all expending the says that even if as much as the says that even it is a says that even it is a says that

half of all consumer spending on such services goes into the pockets of those failing to pay tax, the size of the hidden economy would amount to no more than 5 per cent

of national output.

The Revenue, however, thinks that figure is too low. It attributes a value of between 6-8 per cent of GDP to the black economy, or op to mate that we have heen able to come up with," said a spokeswoman. "It is a wishy-washy gues-

f the revenue's figures are broadly correct, it is recouping only a fraction of the sums lost to the hidden economy. The special investigations unit of the Inland Revenue responsible for targeting the "ghosts" and "moonlighters" that make up the informal sector collected £85.7m in 1992-93 compared with £71.3m in 1990-91.

In comparison £5bn, equivalent to between 2p and 3p on the basic rate of income tax, was collected in 1991-92 from three other areas of the revenue's efforts to ensure compliance with tax rules: investigations into business accounts, wrong declarations in personal tax returns and the enforcement of PAYE requirements. Much of that would bave been the result of mistakes or misunderstandings as well as some deliberate under-declarations.

Should the government be doing more? There is a case for making an example of some defrauders on the grounds that tax evasion is a crime and that all who are liable for tax should be treated equally. But there is also an argument that the Revenue need not be more aggressive, because the returns would be tiny in proportion to the time expended.

Many people failing to disclose

their full income would still not be liable to tax if their earnings fell below personal allowances - £3,445 for a single person. At the same time, there are probably few people operating in the hidden economy who are earning substantial amounts each year – and so would be liable for significant sums of tax.

Another reason for the Revenue to hold off pursuing tax evaders is that a bustling informal sector could be a sign of a healthy, enterprising economy. Certainly, ministers are more vociferous about the need to tackle clearer cases of social security fraud than in clamping down on tax evasion in the hiddeo For this year's harvest anyway, it

would appear that the "ghosts" carting apples, pears and plums around farms in south-east England are safe from the probings of the tax inspectors. They will probably continue to be until the money they earn amounts to the sort of sums in which the Revenue is interested.

# Rich pickings from the public

#### Richard Donkin on the role of Revenue investigators

that tax category every year.

"Many of our inquiries arise from telephone calls from informants and anonymous letters," says Bev-erley Stainer, a member of the compliance unit. Her job is to develop and follow np leads by making

house inquiries.

She also looks at specific occupations. One that tends to attract scrutiny is taxi operations. Lists of licence holders are obtained from the local authority by the unit and names are checked against lists of operators provided by local taxi companies.

The Revenue officers use various profit and turnover statistics to check the purported income of businesses, from public houses to taxis and cleaners. These are collated on a district basis and belp the officers

rate cases of suspected evasion in decide whether tax might have

been unpaid.
"A taxi driver, for example, will always claim back his fuel costs, and we can compare those against his takings in his accounts," says Winship. This makes it risky for drivers to carry passengers without using their meters, and then claim back the cost of the fuel used nn

the journeys. Licensed traders can also be a fruitful area for the compliance officers, according to the team. Market stall hulders and foodhawkers are regularly checked.

Moreover, the team monitors the

classified advertisements of local newspapers, which might feature a rental property or advertise the services of home entertainers, such as a magician or clown for children's

"We can then check the name in the advertisement against our data base which lists the names and addresses of each of the 24.5m peo-

ple in the UK who pay tax. If the name does not appear, the investigation begins," says Stainer. Sometimes individuals are referred to the office by the police. One referral involved a man prosecuted for drug trafficking and found not guilty. He told police that the £20,000 in Scottish £20 notes they found stored under bis bed bad been legitimately earned.

When the man walked free from court, police made sure his earnings were notified to the tax office. "We accepted his story and came to an arrangement whereby all the £20,000 was paid as tax," says Win-

In another case, a man who had

was suffering from a terminal illoess and came voluntarily to the office. His life-savings of £60,000 were tied up in the value of his honse. A tax assessment was arrived at to pay over the whole amount and both parties parted

amicably.

The investigators are not always successful, bowever. They discovered one boss of a manufacturing company who wanted to spend £15,000 on new machinery. Bis accountants told him he could oot afford it hut he told them he had some cash tucked away that the tax man did not know about. The man was warned by his accountants that the purchase would be queried

by the inspectors,
Winship says: "When we asked
blm how he came by the money he said he found it in a paper bag on the bus. As proof he produced a receipt from the police station where he had handed in the package and from where he retrieved it when it was unclaimed. We believed him and moved on."

## **OBSERVER**

#### Put out to Grasse?

■ What will Nigerian military ruler General Babangida do when he relinquishes power?

There have been reports in the French press that he has already bought a property on France's Côte d'Azur for around FFr10m. It's a villa near Grasse standing in three hectares of land and was huilt in a Moorish style in the 1850s. Queen

Victoria once stayed there. However, old Africa hands play down the significance of any such purchase in terms of what it says about Babangida'e future plans. For a start, it is standard practice for heads of state both in and out of work to buy properties in stable countries like France, and several have second homes on the Côte

It doesn't necessarily mean he has given up all political ambition. One need look no further than Zaire's president Mohntu, who has several properties in France and Switzerland and has turned out to be one of Africa's great survivors.

Holy round

Now that lust has faded from the headlines, fear of nnemployment seems to be the number one concern troubling

There are just too many of them. "Let's face it," writes Father Brendan Hoban of County Mayo in a magazine for priests, "many priests wake up in the morning wondering how they are going to pass the day." Clergy line up to say a few words

at wedding receptions and death notices are desperately scanned to find a funeral to attend. "Everywhere we go now, we are tripping over each other," continues Hoban.

"Most of us seem to spend our time answering invitations to social functions, breeding horses, training

juveniles, celebrating jubilees, and

It's becoming almost impossible to get a game of golf on the clergy

#### Uninitiated

■ If the government is planning yet more intensive publicity for the citizen's charter, the closest John Major has come to a Big Idea. it should start with its own civil servants, independent research released yesterday shows that 15 per cent of public-sector employees have still not heard of it.

Cutting the coat

■ Does Naim Attallah, puhlisher and Asprey's boss, have a better eye for clothes than Martin Taylor, Courtaulus Textiles'



'Mr Jackson would like to deny he's bad'

outgoing chief executive? When Courtaulds pulled the plug on thirty-something society couturier Arabella Pollen's business in May - after backing it for three years - Taylor's image took a rare knock and the British design world was plunged into deep gloom. Now it is the turn of one of the very few other youngish British designers, 32-year-old Tomasz Starzewski, who has weathered the recession to see Attallah's luxury goods group buy up a

controlling share.

Actually, the well-connected
Pollen, whose father was the former
head of Sotheby's in the US, also
came to the attention of the ever

chivalrous publisher when she started over a decade ago.

But they parted company and his eye has turned to Starzewski, a first generation Polish immigrant who took his first step on the ladder from above a Fulham fish and chip shop in which he sewed and slept. But then a hard-nosed businessman like Attallah is no snoh.

Fit for action Watch out David Lloyd, the fading tennis star who has built a £100m leisure centre business:

the Beckwith boys are back in

Old Harrovians Peter and John Beckwith, who made an estimated £80m by selling their property empire to the Swedes at the top of the market, have decided to reinvest some of their fortune in

They have bought back the upmarket Riverside Racquet Centre (annual fee over £1,000 and a waiting list of six months) plus a couple of health clubs in the City from the Swedish owners to whom they sold them. They plan to develop a large leisure group to take advantage of the upturn in

the economy.

No word on the price, but the business is thought to be making £1.2m a year and seems amazingly recession proof. Indeed, chief executive David Haslam, who does the talking for the Beckwiths, says one of his members had his bouse

repossessed but refused to give up his Riverside membership. Just the sort of tale one might expect from a property developer.

#### Ritz blitz A word of warning to Simon

Stevens, who has just departed Invesco for the calmer waters of Carnegie International, London arm of the Swedish brokerage operation: decline any invitations from group chief executive Lars Bertmar for breakfast at the

Back in November 1991, Carnegie International's senior management troika had been looking forward to talking business, if not money, with their new big boss over the scrambled eggs.
Imagine their surprise when,

instead of Bertmar, in walked his lawyer to serve them with dismissal notices. Bertmar, who said the idea was to indicate that he was "hands on", has been in charge of London ever since. Obviously, he now feels that in Stevens he has found an executive who will allow him to take his "hands off" London, for the moment at least.

#### New twist

 American tourist overheard in a London hotel bar: "Perrier and

water, please." Barman: "Would you like lime

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# FINANCIAL TIMES

Thursday August 26 1993



Finance formula for £250m regional aircraft venture near completion

## Taiwan and BAe close to deal

By Daniel Green in Taipel

TAIWANESE OFFICIALS and British Aerospace appeared last night on the verge of saving the proposed £250m (\$372m) joint venture to build regional jet aircraft which is central to BAe's efforts to improve profitability. An agreement on a new finan-

cial structure for the venture

could be signed as early as today. The project, called Avro. stal-led last month after some Taiwanese banks lending money became worried about whether or not it would be profitable. Avro will produce the RJ series of regional jets which currently loses money for BAe.

Mr John Cahill, BAe's chairman, and a team of four senior executives have been in Taiwan

since Monday trying to reassure Taiwanese bankers and politicians and negotiate a formula for the deal

Few details of a new financial structure were available last night although it will almost certainly not include government guarantees for the loans, said Mr Yang Shih-Chien, vice-minister of economic affairs, who has been closely involved in the talks.

The solution could involve spreading risks to Taiwanese banks based abroad. It is also likely to include mea-sures involving lease finance for aircraft built by Avro, The cautious approach of Taiwanese banks has been prompted partly

by their unfamiliarity with west-

At least one other of the prob-

ern leasing techniques.

also appears to bave been resolved. Taiwan has backed down from insisting on guarantees that a new generation of regional jet aircraft would be developed by Avro.
Instead, a decision to proceed

lems blocking a final agreement

will be taken only after the completion of market research aimed at assessing the number and timing of potential sales, the design likely to sell well and economics of establishing production lines. Some problems would remain

bowever. Taiwanese bankers and politicians want stronger guarantees that BAe would transfer some technology, design and manufacturing skills to Taiwan. The Ministry of Economic Affairs bas made it clear to

potential foreign partners that

Taiwan wants to progress beyood the manufacture of high technology components to their integra tion into finished products. Mr P.K. Chiang, economics

minister has said that resolving the remaining issues would still require some time". The original deal to establish the joint venture was signed in

January by Mr Cahill and Mr

Denny Ko, the president of Taiwan Aerospace Corporation. Initial markets for both new and existing aircraft types would be Taiwan's domestic airlines. with which TAC is "well connected", said the TAC senior vice-president. Other potential markets are the fast-growing

south-east Asia and China.

Taiwan link, Page 2

#### UN aid convoy gets through German rate cut hopes Continued from Page 1

bank, has made clear that both money supply and inflation are central to interest rate decisions. According to yesterday's provi-

sional figures, the annual rate of inflation was down from 4.1 per cent to 4 per cent in North Rhine-Westphalia: from 4.8 per cent to 4.2 per cent in Hesse, and from 4.2 per cent to 4 per cent in Bav-aria. Prices in the state of Baden-Württemberg, bowever, rose from 4.2 per cent to 4.3 per cent. The state month on month figures were barely changed.

Shares rose on the Frankfurt market after news of the drop in inflation in Bavaria, but markets were closed by the time the other states bad reported their less optimistic figures.

Officials in Germany yesterday warned that the apparently sharp fall in Hesse's annualised rate of inflation was because of sharp rent increases in July 1992 dropping out of the calculations.

Economists said the degree to which the Bundesbank council members believed a turning point for inflation had been reached would be one key to a decision on interest rates at its meeting today.

# to lift the siege of Mostar

THE United Nations appeared to have finally broken through the siege of Mostar yesterday, after an aid convoy was reported to bave reached the city.

The UN High Commissioner for Refugees said that Croat forces had allowed 27 trucks to enter the city, where some 55,000 Moslems have been trapped for more than two months with little food. UN officials had earlier announced that the aid mission had been called off for the day, after bundreds of Croat protesters blocked its path, demanding further concessions in exchange

to their Moslem enemies. The Croat forces, who have recently suffered a series of military defeats by the Moslem-led Bosnian army in central Bosnia, had demanded that aid convoys he stepped up to hesleged Croat populations in the region.

for letting the convoys through

However, late yesterday evening Ms Alemka Lisinski, UNHCR spokeswoman in Zagreh, said that the 27 aid trucks had finally arrived in the Croat-held sections

of the city. Nineteen trucks, carrying emergency food and medical aid, were expected to cross into the eastern. Moslem-beld part of the city later.

Meanwhile, amid signs that the continued tension on the ground could undermine the latest peace proposals, the Dutch and German foreign ministers voiced doubts about the plan for the ethnic partition of Bosnia.

The warnings came after Lord Owen and Mr Thorvald Stoltenberg, the international mediators, held separate meetings with Mr Pieter Kooijmans, the Dutch foreign minister, and Mr Klaus Kinkel, his German counterpart. After 90 minutes of talks, the

Dutch foreign minister indicated that the Netberlands remained concerned about the feasibility of Implementing the peace plan, and the practicality of putting Mostar under EC control. It is worried that the Moslems may he coming under too much

pressure to accept the plan. threatening its ultimate effectiveness in practice. Mr Kinkel echoed the concern,

proposals to divide Bosnia-Hercegovina into three ethnic-based regions. "We will wait and see what decision Bosnia's three parties reach." The European Community is expected to delay any formal decision on whether to accept the peace plan's proposal that it take over administration of Mostar until all three parties to the Bosnian conflict make up their minds on the plan as a whole.

"I don't think the 12 will want to be pinned down until they see what the (Bosnian) parties do," one senior EC diplomat said. But there is cautious support in principle for the idea.

Beyond the task of choosing an administrator, EC diplomats emphasise questions like the number of support personnel required, how Mostar would be policed, and where funding would come from to replenish the EC's exhausted ald budget.

The Community appears con-cerned to avoid establishing a link between accepting administration of Mostar and committing indicating that he was not com- extra troops to Bosnia.

#### THE LEX COLUMN

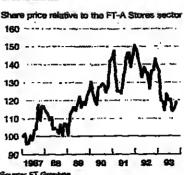
## Caradon crows

After the warm reception accorded by the market to MB-Caradon's purchase of RTZ's industrial businesses, It seems churlish to ask whether the company has bitten off more than it can chew. The deal takes it a whole stage further down the road towards rials group. Though it is paying a full price, it has managed to avoid being saddled with the least attractive parts of RTZ's Pillar division. Yet £800m is a lot of money for Caradon to spend when its own market capitalisation is only £1.5bn. To absorb the goodwill it must seek court permission, for the second time in as many years, to cancel the balance on its share premium account. Without yesterday's rights issue it would hardly have had a balance left to cancel.

This is not to say that Caradon is condemned to flounder. It has a good record in managing the recession and has sensibly eschewed the temptation to opt for a hostile bid for a company like Pilkington. That would have involved paying a premium for a company heavily dependent on one prod-uct and on a weak European market. Tha stock market is clearly relieved that Caradon has chosen a negotiated acquisition of a collection of businesses poised to enjoy the US and UK upturn. But it may also he underestimating the axtent of the challenge that lies ahead.

It is easy to claim that the acquisition will enhance Caradon's earnings next year. This year's earnings will be diluted by putting the proceeds of the sale of its CarnaudMetalbox stake on deposits at low interest rates. So almost any acquisition would have enhanced future earnings. The real test is how skilfully Caradon manages to integrate the large family of Pillar companies and push up their margins. That may be easier said than done, especially in the North American

building sector. Gearing, too, may turn out less comfortable than suggested by the pro forma 24 per cent in yesterday's statement. Even a modest fair value provision and cash outlay on reorganisation would push the figure closer to 50 per cent. That might prompt disposals, though Caradon would hardly rush to part with its lucrative security printing division. Some of the other huslnesses acquired as part of the package, such as automotive or aero-engineering, might go. Caradon would then be judged even more as a pure building materials company. Its historic multiple of 22 makes it look cheap against FT-SE Index: 3079.2 (+29.9)



Redland and RMC whose ratings are both over 30. Its more limited recovery prospects mean, though, that at 336p

the shares are hardly cheap. RTZ is left with a £165m exceptional loss and the task of disposing of the rump of its Pillar division. But it has also the satisfaction of seeing gearing fall to 14 per cent. That will allow it to prospect for new investments in min-ing. Its hand would be even freer if the government goes ahead with the intro-duction of foreign income dividends. RTZ would then no longer need to worry about maintaining enough UK income to prevent a huld-up of unrelieved ACT.

News Corporation

The plan to beam Bart Simpson into Bangkok via satellite has, if nothing else, restored News Corporation's for-ward momentum. Before the acquisition of a controlling interest in Star TV last month, its shares were becalmed. They have since risen by 20 per cent, adding another leg to the bull run stretching back to 1991, Since Star is unlikely to contribute much by way of earnings in the near-term, that appreciation might seem curious. After two years restoring order to News Corp's balance sheet, though, the deal has been taken as a signal that Mr Rupert Murdoch is feeling

There is no shortage of recovery potential within the existing empire. Having driven margins higher in the depths of recession, UK newspapers should be well geared to any cyclical upturn in advertising. The network of US television stations continues to grow, while Fox films must surely come up with a blockbuster movie before too long. Even the investments in BSkyB and Ansett are starting to look less of a drag on earnings. But there is scarcely a stock market where cyclical profits recovery is not now taken for granted. Investors are now

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looking to News Corp for more.
So long as equity and bond markets are receptive. Mr Murdoch will not also to fulfil his have to rely on the banks to fulfil his ambitions. Although interest cover is comfortable and no large debt repayments fall due until the second half of the decade, that will doubtless be a relief. The Star acquisition was paid for with equity and cash raised from an issue of convertible stock. Having driven the sbares higher in anticipa tion of the next move, the market should expect more of the same.

#### W.H. Smith

W.H. Smith's careful excision of Do It All from the breakdown of its figures almost implies that it does not own the husiness. Perhaps Smith wishes it didn't. The red ink at Do It All flowed as freely as expected, yet Smith's timid roll ont of its new trading format and coyness over its impact bardly add to confidence. Nor is it a persuasive excuse that some stores are badly located. If the company cannot find another 50 of its 220 sites which would benefit from treatment, the

portfolio is a rag bag indeed. In truth, Smith's strategy for Do It All is a mixture of shutting the very worst stores, spending the minimum on the few certain to benefit and whistling to keep its spirits up. How long partner Boots will be prepared to indulge this is an interesting question. Smith is trying to muddle through, while hoping for a strong bousing upturn, because the alternatives of closing Do It All or heavy investment are simply too costly. Boots bas the cash flow and balance sheet to take the strain. Smith, by contrast, would have seen a rise in borrowings this year had not freakisbly strong sales in the last month distorted the figures.

It is not as though prospects are particularly rosy elsewhere. Getting Waterstone's to an acceptable return on capital will be a protracted process, Virgin Megastores are proving that Our Price sites are simply too small, and the company's improbably low tax charge cannot last forever. Since the core businesses will also struggle to sparkle, the company must long for the days when it had surplus profits to squander on its adventures.

# JS blacklists China and Pakistan

THE US yesterday imposed economic sanctions on China and Pakistan, claiming that they dealt in sensitive missile technology in violation of international

Mr Mike McCurry, the State Department spokesman, said the US would prohibit sales of sensitive technology - that with both military and civilian uses, as well as munitions - for two years to both countries

The decision is expected to cost US companies \$400m to \$500m in

The sanctions are expected to have little impact on Pakistan, which is not a big consumer of

Asked if American companies would be protected against their losses, Mr McCurry said: "No. That's a significant cost that we pay but it reflects the seriousness with which we look at the issue

f nuclear proliferation." Yesterday's announcement followed months of disagreement among US intelligence agencies about wbether China was shipping components of the M-11 mis sile to Pakistan in violation of the International Missile Technology Control Regime.

This week the agencies said they bad reached a consensus that the sales had taken place. M-11 missiles can be equipped with nuclear warheads and have

FT WORLD WEATHER

Under US law, the Clinton Administration is required to impose sanctions for breaches of the missile control regime, severity depending on the gravity of

the violation. Retaliation might bave been waived if considered in the national interest. President Bill Clinton bas vowed to take a strong line regarding China and weapoos

proliferation. By choosing not to retaliate against Chinese exports to the US, he bas probably contained the dispute, which might otherwise have escalated to include a Chinese embargo against US agri-

culture and other US low technol-

China has consistently denied

making illicit sales. Pakistan yes-terday also denied that its purchases had broken US rules. A foreign ministry spokesman

said Pakistan had acquired only 'some sbort-range missiles" from China after heing attacked hy Soviet-made scud missiles from Afghanistan in the late 1980s. Concern for missile proliferation does not arise from Pakistan

but from India's extensive missile development programme, includ-ing Prithvi and Agui missile systems," the spokesman said. He said Pakistan would respood positively to a US proposal for talks with India to prevent a missile race.

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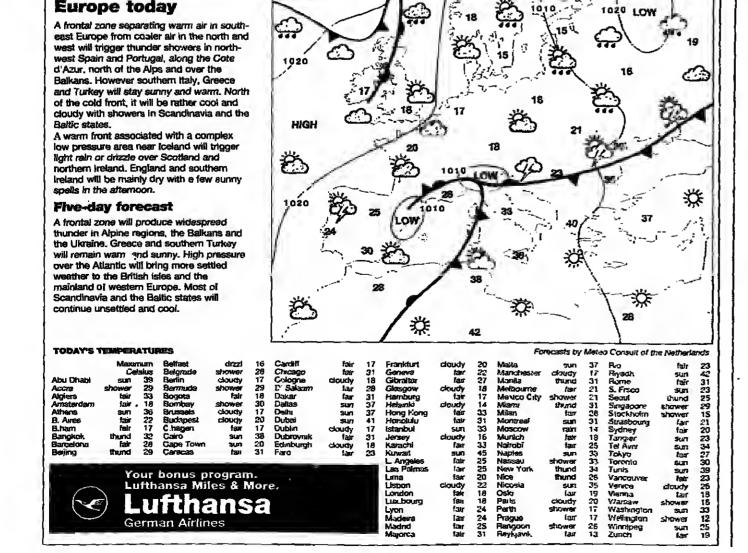
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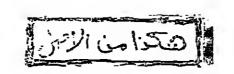
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#### INSIDE

#### German car parts makers suffer reverse

German car part maker VDO Adolf Schindling recorded a first-half loss, estimated at DM50m, while Varta, the battery maker, saw net earnings shrink 75 per cent to DM5m (\$2.9m). Page 14

Havas in Canal Plus share link-up Canal Plus, the French television company, faces an uncertain future following reports that Havas, the French media group which is its largest share-holder, plana to raise its stake in an elaborate share swap deal. Page 14

RTZ sells Pillar to MB-Caradon MB-Caradon, the UK building products and secunty printing group, has agreed to buy most of the Pillar industrial businesses of RTZ, the UK mining company, for around £800m (\$1.19bn) Page 14; Lex, Page 12; Background, Page 17

#### WH Smith moves ahead 5%

WH Smith, the UK retail and distribution group, arrounced an unexpected improvement in pre-tax profits, in spite of increasing losses at Do it All, its DIY joint venture with Boots. Annual pre-tax profits were up 5.3 per cent to £113.8m (\$169.6m) and the final dividend was raised to 9.9p. Page 14; Do It Ali, Page 19; Lex, Page 12

#### Strong yen hits Toyota profits

Toyota Motor, Japan'a largest car maker, profits to Y286.4bn (\$2,7bn) and said the yen's appreciation could threaten its policy of lifetime employment. Page 15

Swedish paper groups stage rally Stora and MoDo, two of Sweden's top forest products companies, reported improved first-half results despite what they described as persistent weak demand and prices in their European markets. Page 15

#### Telegraph group sales rise

The Telegraph newspaper group, which publishes both the Daily and Sunday Telegraph in the UK, boosted interim pre-tax profits by 60 per cent to £34.6m (\$51.55m) and lifted the dividend to 5.5p. The group attributed the rise to strong circulation, a satisfactory advertising performance, and a slight fall in the price of newsprint, Pags 18

#### Birnec to write off £5m debts

Bankers to Birnec, the UK water, waste treatment and engineering company, are to write off 55m (\$7.5m) of debt in a restructuring to keep receivers at bay. Page 18

#### Foreign investors return to India

Greater political stability and a sharp increase in exports have brought foreign fund managers back in the Indian stock market. In the past six weeks, about \$450m in foreign institutional funds has flowed into Indian equities and from the end of July In last weekend, the Bombay stock exchange's 30share index rose 27.5 per cent. Back Page

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# Chief price changes yesterday

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Pisco	•			Rious			
AG Ind & Verk	584.5	+	9.5	Chargeura	1127	+	57
Colonia Kren 91	875	+	25	Euro RSCG	634	+	21
ŒE.	420	+	10.5	Gaumont (Sc M)	619	+	29
MAN	332	+	105	Legria	218	+	101
<b>Falls</b>				Uralizani	516	+	21
Remalektra	1145	-	33	Falls			
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Hises	•			FØ948			
AMR	674	+	170	Aconori Back	740	+	56
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Toys R Us	36%	•	1	Palis			
F2R#				Milliouni C-Cola	1900	-	100
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Rises				Ramaden's (H)	185	+	10

LONDON (Pe	ace)			Ramaden's (H)	185		10
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BP .	3177	+	12	Smith (With A	471	+	16
Bellwinch	40	*	6 6	Spring Rarp	73%	+	5
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Euro Dianty	665		20	Telegraph	418	+	29
Harrington Kill	220	+	11	Tennel Diagn	174	+	g
Independt News	395	+	20	When (J)	118	+	11
MB-Caradon	336	+	24	Falls			
Modeva	114	*	5				

# News Corp earnings rise 84.5%

By Bruce Jacques in Sydney

NEWS Corporation, Mr Rupert Murdoch's international media group, reported yes-terday a surge in profits with almost all its divisions, notably newspapers worldwide and US television, contributing to the

Group net profits for the year ended June sourced 84.5 per cent to A\$978.9m (£439m) from A\$530.5m a year earlier as revenue rose 4.9 per cent to A\$10.69bn. The annual dividend is going up from 2.5 cents

The two biggest components of the

A\$56,8m loss to a A\$177.3m profit from associate companies, including BSkyB satellite television operation in the UK and the Ansett alrline business in Australia; and a reduction from A\$931.7m to A\$737.1m in net interest expense following the equity issues and debt restructuring which have returned the group to health.

The company excluded an A\$114.6m abnormal loss from the result (A\$29m loss previously), mainly reflecting unrealised exchange losses in the Ansett group. News Corp's operating income in the UK rose from A\$381.8m to A\$401.9m, as operat-

ing profits from UK newspapers increased 9 per cent. The company said advertising and circulation revenue had remained flat and the result came mainly from operating efficiencies and plant mndernisation.
"Operating profits at the Sun, News of the World, and The Sunday Times all showed significant gains," said directors.

The company said its 50 per cent stake

in BSkyB contributed £26.7m to profits, compared with a £13.3m loss. Revenues grew more than 60 per cent as the number of subscribers to films and sport grew. Operating revenue from the US rose from A\$850m to A\$964.3m as Fox Broadcasting

and Fox Television turned in record profits. Directors said profits rose 6 per cent in the magazine and inserts husiness while the HarperCollins book publishing operations produced flat profits.

operations produced flat profits.

Operating earnings from Australia and the Pacific Basin rose from A\$328.9m to A\$336.1m. News Corp said if adjustments were made for businesses sold during the year, operating earnings from this division rose 23 per cent. They said operating income from Australian newspapers rose 18 per cent in saits of recession. 16 per cent in spite of recession. Lex. Page 12: News International results,

Page 18; John Fairfax results, Page 15

### Big Blue is turning the tables on its partner Intel writes Louise Kehoe

# IBM taps into strength to play the power game

Machines is turning the Lables. Long the victim of "cloners" of its mainframe computers, disk drives and personal computers, IBM is now turning predator - developing its own "clone" of latel's top-selling microprocessors; the "brains" of

IBM is understood to be developing its own version of the Intel "microcode" or internal software instructions that control the functions of a microprocessor. This would enable IBM to produce microprocessors that do not rely upon intel technology.

IBM is responding to a radical shift of power from computer manufacturers to semiconductor makers over the last decade. If it successfully reverses that through its new venture, IBM could regain some of its technological leadership. But the price could be high.

IBM could damage Its partnership with intel which has created the global PC industry with sales of \$70bn a year. For more than a decade, Intel has supplied microprocessors to manufacturers of "IBM-compati-

personal computers. Now IBM is planning to produce and sell "intel-compatible" chips -devices that can run all of the thousands of software programs designed for Intel-based PCs. Some 10 years ago, Intel was on its uppers; struggling to keep pace with Japanese competitors and losing money in the process.

IBM came to the rescue, like a beneficent giant, investing \$400m in Intel to ensure that its chip supplier would survive. Today, Intel is the world's largest and most profitable semiconductor company and it is IBM that is in the red and painfully

cutting Its operations and work-

key step in IBM's plan to seize control of the core technology of its \$10bn personal computer business, correcting what many industry analysts see as a serious mistake in the early days of the PC market that made IBM beholden to outside suppliers, in particular Intel and Microsoft.

the software company. IBM appears determined to exert more control over both aspects of PC development. On the software side, it has already begun to draw away from Micro-

#### The cloning effort could boost IBM's nascent efforts to become a big player in the semiconductor

soft by, for example, offering its own version of DOS, the standard PC operating software. It is also developing a new generation of operating system, called Workplace which will have broader compatibility with other software.

chip market

On the hardware side, IBM's "cloning" effort is believed to be geared primarily towards ensuring that a new generation of microprocessors, called PowerPC, jointly developed by IBM wilb Motorola and Apple computer, can take advantage of the buge established base of PC software applications.

With the addition of intel-compatible microcode, PowerPC may processor so fast that users would not know nor care what type of chip was inside their com-

This would greatly enhance the market prospects for PowerPC computers, including those planned by IBM and Apple, and also make PowerPC chips more competitive with Intel's micro-

The cloning effort could thus boost IBM's nascent efforts to become a blg player in the semiconductor chip market.

Until recently, IBM's buge chip plants in the US, Europe and Japan have produced devices only of use in IBM 's own computers. Now the company is actively seeking opportunities to sell chips to the outside world Mr Louis Gerstner, IBM chair-

Identified semiconductor sales as strategic to the company's return The high performance microprocessor market is one of the fastest growing and most lucra-tive segments of the semiconduc-

man and chief executive, recently

tor market. intel is the runaway leader in the microprocessor field, with an estimated one-third share of the world market, according to Integrated Circuit Engineering, a US market research group, in the 32-

dominates with a 72 per cent share. In 1992, Intel's unit shipments of 32-bit microprocessors totalled about 20m, according to ICE estimates, while other competitors combined sold about 9m of this

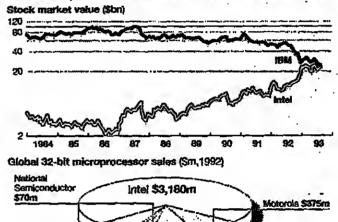
bit high-performance sector Intel

It is expected to take IBM at least another year to complete development of its Intel "clone" microcode. Starting from scratch. IBM's software developers must ensure that their work is not

#### IBM: turning tables



Andrew Grove, President & CEO, Intel



Others \$315m

Yet IBM's unique relationship with intel might encourage both companies to reach an accommodation. Already, Intel has licensed IBM to produce Intel-designed microprocessors for use in its own producis. IBM is also offering circuit-boards incorporating its home-built intel-de-

signed chips to other PC makers. IBM has also demonstrated its sbility to improve upon intel's

"tainted" by the inclusion of any microprocessor designs. Earlier of Intel's technology that could this month, it announced "Blue could run them into legal prob Lightning" a speeded-up version of Intel's 486 microprocessor. Similarly, IBM has developed faster, and lower power versions of

AMD \$350m

Intel's 386. After 10 years as allies, intel and IBM appear to be heading towards direct competition. The consequences of the changing relationship between the world's largest computer and semiconductor manufacturers are likely. to touch every participant in the

## **Price** Waterhouse banned from Ferfin accounts

By Heig Simonian in Milan

PRICE WATERHOUSE, one of the world's leading accounting and consultancy groups, has been banned by the Italian Con-sob companies and stock market watchdog from suditing the books of Ferruzzi Finanziaria (Ferfin). Italy's second higgest

private company.

The ban, which may be extended to Ferfin's Montedison industrial subsidiary, follows the opening of a formal investiga-tion by Consob into Price Water-house's conduct in auditing the

group's accounts. Consob based its move on the claim that Price Waterhouse had been shown to be "technically inadequate" in auditing Ferfin's books. Technical inadequacy is one of only two grounds on which Consob can prevent an anditing firm continuing its task, the other is conflicts of

Mr Dino Martinazzoli, of Price Waterhouse's Italian partnarship, said the group would prob-ably appeal against the move. "The job of auditing Ferfin's accounts was carried out in 8 professionally correct way." he

Consob's move follows the discovery of severe financial irregularities in Ferfin's and Montedlson's accounts by the new management imposed earlier this year by the group's leading bank creditors.

The irregularities, which cen tre on a L435bn (\$270m) additional loss in Montedison's 1992 accounts, are believed to result from attempts to cover up huge US commodity futures trading losses incurred by Ferfin in 1989.

Meanwhile, Milan magistrates investigating the country's 18month political corruption scandal believe Montedison paid huge sums in off-balance sheet kickbacks to politicians during the life of the now defunct Enimont chemicals joint venture with the state-owned Eni energy

Ferfin, with total borrowings of L28,836bn at the end of May, and Montedison were chilged to revise their 1992 losses to reflect the new discoveries.

Meanwhile, the new management brought by the group's leading creditor banks, commissioned Deloitte & Touche, another international accounting group, to carry out a detailed investigation into the groups'

## GPA advisers confident of signing GE rescue agreement

By Roland Rudd in London

ADVISERS to GPA Group are

recently promoted to GPA's board after attempting to remove Mr Ryan as chairman, is likely

to take charge of the old GPA. The two companies will be based at GPA's Shannon head-Ireland, althnugh Polaris will continue to have an office in San

GE is now confident It has a watertight agreement to manage GPA's fleet - it has already agreed in principle to buy \$1.35bn of GPA's aircraft - with-The deal should have been

signed last month. It was delayed by fears that GE could be beld responsible for GPA's liabilities. Under the terms of the agree-

ers underwriting the deal and by the group's banks are being waived. GPA is confident this will enable it to meet interest and principal debt repayments to both its secured and unsecured creditors from leasing revenues generated by the new subsidiary of GE. But if it cannot do so, creditors will have no recourse

new GE subsidiary by Mr Jim King, GPA's vice chairman, Mr Colm Barrington, GPA's com-Bolger, who has been largely responsible for running the leas-ing business. Mr Juhn Tierney will remain finance director of the old GPA. Mr Maurice Foley, GPA's deputy chairman, is also expected to stay on at GPA until non-executive director.

# GERMANY

confident that the aircraft leasing company will sign its rescue deal with GE Capital, the financial services arm of General Electric of the US, within the next few days. The agreement will separate CPA's \$5.2bn borrow-ings from its assets.

A new company, to be called GE Capital Aviation Manage-ment, will be responsible for the leasing business of GPA and GE's subsidiary Polaris Aircraft leasing. Its executive chairman is expected to be Mr Tony Ryan, GPA's chairman and founder, who will work with a chief execntive appointed from GE.
Mr Patrick Blaney, who was

out being liable for the debt.

ment GPA bas effectively delegated the day-to-day manage-ment of its 470 aircraft to GE Capital Aviation Management. A limited number of specified claims by GPA'a core shareholdMr Ryan is to be joined at the

# Renault and Volvo near merger

#### By Jahn Ridding in Paris and Hugh Carnegy in Stockholm

RENAULT, the French car and its Swedish partner, are making progress towards the completion of a merger and should be able to finalise an agreement within weeks, official French sources

According to these sources, an agreement is possible before the Frankfurt motor show on September 7 but would depend on the resolution of several outstanding issues, believed to include the shareholding structure of the two groups and the top management structure. Renault and Volvo declined to

comment on the state of negotia-

tions between the two groups.

The two companies, which

have steadily deepened their alli-

ance since it was initially forged in 1990, have cross-shareholdings and have set up joint units in areas such as quality control. component purchasing and producl planning. The French government bas

been pressing Renault to step up the process of its merger with Volvo to clear the way for the privatisation of the state-owned car group. France's ambitious privatisation programme, which includes the sale of 21 state-owned groups, is due to be launched this autumn.

Motor analysts said Renault

and Volvo might comment on the progress of their talks when they announce results this week. In line with other European carmakers, the two groups have suffered from the depressed state of industry analysts are expecting the merger.

Renault to report pre-tax profits of about FFr650m (\$110.35m) for the first six months, a sharp fall on the FFr5.44hn in the same period last year. Sales have also fallen sharply, although the company has increased market share. Volvo, meanwhile, is expected

today to announce first-half losses after financial items significantly deeper than last year's SKr103m (\$12.79m) deficit, but with a sharp improvement at the operating level. Analysts are also predicting a return to profit over the year as a

whole, after last year's record SKr4.75bn loss, as the benefits of

the big devaluation in the Swed-

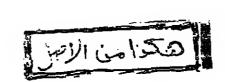
ish krona feed through in the sec-Opinion in Sweden is likely to swing on the extent to which Volvo assumes a junior role in

If your corporation is looking for a foothold in Germany or intends to broaden its existing base by an acquisition, we can assist in search, approach and negotiation.

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State aid

up Gota

Bank

helps prop

By Christopher Brown-Hume

THE SWEDISH government to

to provide a further SKr5bn

(\$620m) guarantee for Gota

Bank to prevent it from falling

below minimum capital ade

quacy requirements under the

weight of heavy loan losses.

The commitment comes on

top of a SKr10bn guarantee

Gota received at the start of

this year after coming under state control at the end of 1992

It is being made because it has taken longer than origi-

nally expected to return the

bank to the private sector and

because a change in account ing treatment inflated its first.

half credit losses to SKr?bn

The bank is expected to be sold

The announcement is a stark

reminder that Sweden's bank-

ing crisis is far from over after

euphoria at other banks

results and Skandinaviska Enskilde Banken's move to

withdraw a state aid request.

during the autumn.

By Christopher Parkes in Frankfurt

THE EFFECTS of the crisis in the Cerman motor industry showed up yesterday in poor first-half results at two leading parts suppliers. VDO Adolf Schindling, part of the Mannesmann group, recorded a loss, while Varta, the battery maker, saw oet earnings shrink 75 per cent to DM5m

VDO said first-half sales had fallen 1.3 per cent to DM1.17hn. despite a 27 per cent rise in foreign turnover. Unofficial estimates put the loss at around DM50m.

The group said it expected a deficit for the full year after a although 1994 should show a marked improvement.

It hlamed the poor perfor- months of the current year mance on lower volumes, price pressure and restructuring costs. Numbers employed fell by more than 800, and a further 1,000 Germau jobs are scheduled to go by April next

Meanwhile, VDO is continuing to shift capacity abroad. Current projects include a possible joint venture in China. Works will be opened soon in South Africa and Indonesia, and negotiations are under way for a plant in the Czech Reoublic.

Fichtel & Sachs, another Mannesmann components maker, reported mounting losses earlier this week. Its deficit rose to DM98m during 1992, DM68m a year earlier. New orders in the early

were stubbornly low, and the company suggested losses could increase again.

Varta, a leading supplier of car batteries, said half of its 8 per cent fall in first-half turnover to DM1bn was a result of currency fluctuations. Recession had hit industrial sales. with car battery turnover drop ping 13 per cent to DM363m. Turnover from power units for portable appliances was unchanged at DM403m.

In the year to the end of June the company had cut its payroll hy 8 per cent and reduced capital expenditure hy 22 per cent.

On the hasis of "modest" prospects for the rest of the year Varta said full-year earnings would be significantly

## Codan posts profit of DKr503m

in Copenhagen

THE CODAN insurance group. which hecame Denmark's leading group when it took over the Hafnia insurance and banking operations earlier this year, made a first-half net profit of DKr503m (\$72.97m). giving a return on equity of

The group, which is con- end of last year.

RTZ sells units

By Maggie Urry and Kenneth Gooding

MB-CARADON, the building products and

security printing group, yesterday agreed to buy

most of the Pillar industrial businesses of RTZ

the mining company, for around £800m

(Sl.19bn). MB-Caradon also announced a £334m

The deal will double MB-Caradon's huilding

products turnover, and compares with the

group's market value of £1.48hn yesterday morn-

ing. MB-Caradon's shareholders are to vote on

the deal, and on a name change to Caradon,

reflecting the increased scale of the building

products activities. Lex. Page 12: Background, Page 17

rights issue to help fund the cash purchase.

trolled by the UK's Sun Alliance, did not publish pro rata figures for the two groups for 1992, when first-half profits (for Codan only1 were DKr49m.

The merger, which took effect from January 1 this year. has tripled group assets to DKr52.44bn from DKr15.3bn on December 31. Equity capital increased to DKr4.49hn on June 30 from DKr3.9Sbn at the

of DKr163m before financial income, which came to DKr704m, while taxes were DKr39m. Earnings by the accident insurance divisions, where premium income increased to DKr2.47hn from DKr652m last year, increased to DKr597m from DKr180m, but Codan said the Hafnia accident insurance business made a

## WH Smith boost

By Neil Buckley in Landon

WH SMITH, the UK retail and distribution group, vesterday gave an upheat trading statement and announced an unexpected Improvement in pre-tax profits, in spite of increasing losses at Do It All, its DIY venture with Boots.

Pre-tax profits for the year to May 29 were £113.8m (\$170m), up 5.3 per cent on last year's £108.1m, restated according to FRS3, ahead of analysts' forecasts. Shares closed up 16p at 471p. Sir Simon Hornhy, chairman, said the group's retail husinesses bad recovered strongly in the second half. The final dividend was raised to 9.9p. for a total payout of 14.2p (from 13.4p). Do It All, Page 19; Lex. Page 12

## shares rally on injection report

By Alice Rawsthorn

EURO DISNEY, the troubled leisure group, yesterday saw lts shares rally following a report that Walt Disney, the US entertainment company which is its largest shareholder, is considering hringing in an investor to provide new capital.

The shares, which have fallen sharply during the past twn weeks, ended the day FFr1.50 higher at FFr57.50 following a report in the Los Angeles Times quoting Mr Michael Eisner, Walt Disney chairman, as saying that the company might introduce an

external investor. However, Walt Disney said yesterday that Mr Eisner had been misinterpreted. "All he said was that we were discussing many things with Euro

Disney," It claimed. Analysts were sceptical that Walt Disney would be able to find another investor willing to take a stake in Euro Disney. given the severity of the European group's financial prob-

Euro Disney, which has net debt of FFr21bn (\$3.56m), lost FFr1.08bn in its last financial year to September 30 and is expected to make a net loss of at least FFr1.8hn this year. It announced last month that it had been forced to ask Walt Disney for financial support while it attempted to negotiate an emergency financial restructuring package with its

#### Alcatel sells cable stake

By John Ridding

ALCATEL Alsthom, the French telecommunications, power and transport group, yesterday placed 1.8m shares. a 4 per cent stake, in Alcatel Cable with institutional investors at FFr600 each.

# Euro Disney | Havas linked with plan to alter Canal Plus holding

By Alice Rawsthorn in Paris

CANAL PLUS, one of France's most dynamic television companiea, faces an uncertain future following reports that Havas, the media group which is already its largest share-holder, plans to raise its stake in an elahorate share swap deal.

According to the Figaro newspaper, Havas plans to add the 20.4 per cent stake in Canal Plus now owned hy the Compagnie Ganérale des Eaux industrial group to its present 23.5 per cent holding. CGE

would in return hecome the largest shareholder in Havas hy raising its holding to 20 per

Meanwhile, Société Générale. the banking group which is a long-standing corporate ally of CGE, would exchange its 5.1 per cent stake in Canal Plus for shares in Havas, where it already holds an 8.1 per cent

Havas declined to comment. Canal Plus said that there was "nothing to be said at present". However the report follows months of speculation that Havas and CGE were discuss-

ment in Canal-Plus. However Havas would have to wait for changes in French hroadcasting legislatinn to raise its stake in Canal Plus above the present maximum of

25 per cent.
The reports come at a sensitive time for Canal Plus, which expanded rapidly in the 1980s through its highly successful pay TV channel in France, but has stalled mnre recently because of its problems in the US. It saw net profits stabilise last year at FF1.1hn, against FFr1.01hn in 1981. :

## Nestlé wants bite at Polish firm

By Christopher Enbinski

**NEWS DIGEST** 

improves

Brown-Humes.

Finnish insurer

POHJOLA, the Finnish

insurance group, expects an improved 1993 result after it

swung to a first-half operating

profit of FM6m (\$1.03m) from a

FM105m loss in the same 1992

period. writes Christopher

The group saw investment

income rise hy FM300m to

FM534m, helped by the strong

surge in share prices on the

This compensated for a

worse underwriting perfor-

mance, which swung to a

FM104m deficit from a FM79m

profit, after losses from credit

insurance, domestic reinsur-

Premium income fell 4 per

cent to FM2.1hn, largely

ance and foreign insurance.

Helsinki stock exchange

NESTLE, the international confectionery and foods company, has offered to pay \$40m for an 80 per cent share in Poland's last state-owned chocolate producer.

Nestlė's move, which includes a promise to invest a

further \$30m in the Goplana plant in Poznan, is designed to hlock the establishment of a joint venture between the state and E.D. & F. Man, the UK sugar and cocoa hroker. This venture, which is await-

because of the impact of the

Finnish recession on domestic

premiums which were 5 per

Rising share prices lifted the

group's solvency capital at

June 30 to FM4.4hn, from

PHARMA Vision 2000, the

Swiss investment company

specialising in pharmaceutical

share holdings, is raising SFr310m (\$203.9m) in a rights

issue with the aim of broaden-

ing its boldings to include com-

panies outside Switzerland,

The group, which is con-

trolled by a syndicate led hy

Mr Martin Ebner's BZ financial

group, also signalled its inten-

writes Ian Rodger in Zurich.

FM3.7bn at the end of 1992.

cent lower at FM1.8bn.

Pharma Vision

rights issue

ing a go-ahead from Mr Janusz Lewandowski, the privatisation minister, would see E.D. & F. Man putting in \$37.5m

with the state contributing the Goplana plant. This would leave both sides with 47 per cent of the equity. The balance would he nwned by the Goplana workforce. E. D. & F. Man and Elite

way for the merger.

which it held large stakes.

Industries formed a joint marketing company with Goplana in 1991, designed to smooth the

With a net asset value of SFr1.9bn, Pharma consists almost entirely of shares in Roche and Ciba-Geigy.
The Pharma rights issue is on the basis of one-for-five held on October 6 at SF13,000 per

hearer share and SFr600 per registered share. DNO builds 6%

Vard holding DNO, the Oslo-based oil company, has built a 6 per cent stake in Vard, the troubled Norwegian cruise and ferry group, making DNO Vard's fourth biggest shareholder,

writes Kuren Fossii in Osio.

DNO, controlled by Mr Torstein Hagen, the Norwegian investor, holds 1.5m Vard shares, according to the most tion to take a more aggressive recent list of the group's top 20 shareholders, dated August 20. J period. role in managing companies in

Gota announced a SKr550m operating loss for the first half after being dragged into the red by a SKrl 4bn deficit from problem credits housed in Cota Bank Specialengagemang.

#### **BNP** tumbles to FFr522m

By Alice Rewathern

BANQUE Nationale de Paris one of France's higgest banks and scheduled for privatisation this autumn, suffered a sharp fall in net profits to FFr522m (\$88.62m) in the first half of this year against FFr1.33cn in the same period last year. BNP managed to increase it

net banking income to FFr21.23bn in the first half, from FFr19.48bn in the first six months of last year However, it was forced to raise its risk provisions to FFr5.82bn from FFr4.11hn over the same

## Danisco A/S

Langehrogade 1, 1411 Copenhagen K, Denmark

Notice is hereby given to the shareholders that the Annual General Meeting will be held on Thursday 16 September 1933 at 4.30 pm at SAS Scandinavia Hotel, Amager Boulevard 70, 2300 Copenhagen S. Denmark with the following agenda:

Directors' report on the Company for the year ended Submission of the annual accounts and consolidated accounts with the Auditors' Report and the annual report, and resolutions for the approval of the annual accounts and of the discharge of the Board of Oirectors from their

Resolution on the appropriation of profits or covering of losses in respect of the approved annual accounts. The election of members to the Board of Directors

The election of two Danish state-authorized public accountants to serve as auditors.

Resolutions proposed by the Board of Directors and/or shareholders. 7. Any other business.

The Board of Directors proposes the following resolutions under item 6:

The Board of Directors proposes the following resolutions under item 6:

a) That the empowerment of the Board of Directors to increase the Company's share capital in accordance with articles 4.3 and 4.4 in the Articles of Association be renewed for a new five year period and that the amount authorized be increased from 04% 225,000,000 to DixK 250,000,000 and so that the capital can be increased by share issues, by the issue of convertible bonds and by combining share issues and convertible bonds.

b) That article 9.1 in the Articles of Association be changed to the effect that the General Meeting of the Company is held every year within five months of the close of the accounting year instead of within sin months.

c) That the second sentence of article 14.3 in the Articles of Association be changed to the effect that shareholders who have acquired shares by transfer cannol exercise the voting right for the changes in question at General Meetings that have been convened, unless the transfer has been registered in the Register of Shares, or the shareholder has applied for registration or filed proof of his acquisition with the Company before the convening of the Meeting.

d) That in the period until next year's Annual General Meeting the Board of Directors be empowered to allow the Company to purchase its own shares up to the amount of 10 per cent of the share capital at market pince at the time of purchase with a deviation of up to 10 per cent.

No proposats for resolutions have been received from the shareholders.

No proposals for resolutions have been received from the shareholders.

In accordance with the Company's Articles of Association and the Danish Companies Act, the adoption of the resolutions memboned in items 6a, blend circularis that both two-thirds of the votes cast and shareholders representing two-thirds of the voting rights at the Annual General Meeting vote in favour of the resolution.

As from 6 September 1993 the agenda and the Board of Directors' resolutions in full as well as the annual accounts and the consolidated accounts with the Auditors' Report and the annual report are available for inspection by the shareholders at the Company's registered office. On the same day the documents will be sent to those enarcholders who have so

Admission cards with voting paper for the Annual General Meeting may be collected on provision of identification at the Company's registered office at Langebrogade 1 between 10am and 3pm in the period 30 August to 14 September 1993, except Saturdays and Sundays.

Shareholders whose shares are registered in the name of the shareholder in the Register of Shares may vote at the Annual General Meeting. Shareholders who have acquired shares by transfer may only exercise the voting right for the shares in question at the General Meeting if the shares are registered in the name of such shareholders at the time of the convening of the General Meeting, or if the shareholders before thet time have applied for registration and filed proof of their acquisition. This shortening of the time-limit for registration in relation to the second sentence of article 14.3 of the Articles of Association is occasioned by an amendment of the Oanish Companies Act of 1 August 1993 which limits the scope of this provision in the Articles of Association, see above ad item 6c on the agenda.

A shareholders' meeting dealing with lood ingredients melketed by the business unit Grindsted Products will be held immediately before the Annual General Meeting at the same venue from 3 pm to abour 3.50 pm.

Danisco A/S
The Board of Directors

The state of the s

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of 6 0825 per cent, per annum. Compon (so, 6 will therefore be payable on 24th Movember, 1993) phylabe on 24th November, 1993 in 21.528.68 per coupon from Tores of 210 (1000 normal) and 21.52.81 per coupon from Nores of 210 (1000 normal).

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In the context of the Egyptian Government's privatisation programme, The Egyptian General Company for Tourism and Hotels ("EGOTH") announces:

#### THE SALE AND COMMENCEMENT OF FORMAL BIDDING FOR THE ASWAN OBEROI HOTEL

The Aswan Oberoi Hotel is a five-star hotel located on Elephantine Island near central Aswan, Egypt that consists of 180 rooms, 10 cabanas. 38 suites, and 8 villas. All interested hidders, whether individuals, companies, or institutions, Egyptian or non-Egyptian, may obtain the Bid Documents from the Pinancial Advisor, The Export Development Bank of Egypt ("EDBE") or Merrill Lynch International Limited, Advisor to EDBE, for a fee of US\$ 300 or L.E. 1000 at either of the

#### Financial Advisor

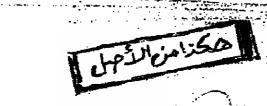
Fax: (202) 774553

The Export Development Bank of Egypt Ait: The General Manager 10 Talaat Harb Street P.O. Box 2096 Ataba Cairo 11511 Tel: (202) 776331 - 761153.

Advisor to EDBE Merrill Lynch International Limited Att: Manager, Real Estate Finance 25 Ropemaker Street London EC2Y 9LY England Tel: (44-71) 867 4008

Bids are to he submitted in a sealed envelope to EGOTH addressed to the Financial Advisor and to be labelled "Tender" for Sale of Aswan Oberoi Hotel\* hy 12 o'clock noon, Cairo time, on Thursday 21st October 1993 which is the last date for

Any clarifications regarding this announcement should be addressed to the Financial Advisor, or Advisor to EDBE,



Fax: (44-71) 867 4454

Ask for Mike Herzstein or Andy Todd.

lamsung Electronics Co., Ltd.

Notice is hereby given to the holders of above GOSs that the Board of Oinectors Miveting of the Company, held on August 17, 1993 resolved to issue New Shares under the following terms and conditions. "lumber of shares to be issued.

3.489 000 Shares of common stock.

esue price.

According to the "Korean Securities Exchange Committee Regulation", the final resule price will be fixed on October 18, 1993.

Allocation of new shares: Audication briefly shares; If 20% of the nen leaves shall be allocated for the authoritistic by employees of the company ac-cording to the "Lavy on Fostering the Capital Market" in Kored.

(2) Permanne 60% of the new issues shall be allocated for subscription to shareholders registered on Septiember 10, 1993 in the proportion 0, 0,05057125 share per one share.

3) Born the Shareholders of common stocks and non-voting preferred stocks and non-voting preferred stocks are entitled to subscribe for new common stocks in proportion to their respective shareholdings. Record dute. September 10, 1993.

Subscription per od. Coschel 25, 1993.

October 15, 1993. Payment date. October 28, 1993 Others of shares and unsub-strated shares and the deposed according to the Resolution of Board of Cirectors Alvestry and attlication of the consumption of the consumption of the consumption of the consumption versions by the Convertible Bond holders.

QOS holdors should contact the Depository (Citibans, N.A., New rote) for further information.

TOYOTA MOTOR, Japan's largest carmaker, yesterday announced a 24 per cent decline in pre-tax profits for the year ended June, and said the yen's appreciation could threaten its policy of lifetime

In its third consecutive year of profit decline, Toyota pre-tax profits fell to Y286.4bn (\$2.76bn) and operating profits to Y103.6bu from Y124.9bn

The results were the lowest since the Toyota group merged its manufacturing and sales operationa into a single company in 1982. Sales were Y9.031bn, up from a previous

Toyota blamed the downturn on weak domestic demand as

Earlier this week Honda reported a 42 per cent fall in profits for its first quarter.

Toyota warned that at an exchange rate of Y110 to the dollar it would be hard-pressed to make any profit at all. If the exchange rate remained closer to Y105 to the dollar, Toyota would find itself in a very difficult aituation, the company said.

It added that the outlook was not significantly better. While the government's economic stimulus package was expected to help lift consumer demand in Japan, fierce competition and the uncertainty of recovery in world markets kept a cloud over future prospects, the company said.

In the current year to June

per cent decline in pre-tax profits to Y200bn and a 29 per cent fall in net income to Y110bn on sales 3.7 per cent down at Y8,700bn. These projections are hased on an average exchange rate of Y110 to the dollar, the company

Unit sales in Japan suffered a drop of 7.8 per cent to 2.16m units. Exports in the year rose 1.6 par cent to 1.72m units, largely on increased exports to Asia. Production of passenger cars and trucks in Japan was down by 4.4 per cent while production overseas increased 20 per cent. On a consolidated hasis,

Toyota sales were Y10,210hn pre-tax profits were Y322.2bn, down 24.6 per cent.

complete the process. For the full year, the company posted a 12 per cent gain in underlying net income.

largely responsible for the yearly advance. Revenues in the US increased only slightly, with the domestic books and home

> rent year," say directors.
>
> Management has focused on improvements in efficiency to counter unfavourable trading conditions. This is reflected in a rise in operating costs, up

"In particular, the company

Black's Hollinger group has a 25 per cent stake, publishes the Sydney Morning Herald, Melbourne's The Age newspaper and the national Australian Financial Review.

# A\$67.2m

at John **Fairfax** 

JOHN PAIRPAX. Australian newspaper group, reports a net profit for the year to Jnne of A\$67.2m. (US\$45.4m), its first as a stock

By Bruce Jacques in Sydney

market listed entity.
The company, which has operated in its current form since coming ont of receivership in late 1991, lifted revenue hy 5.6 per cent to A\$770.1m and has declared a malden dividend of 4.5 cents a

Net earnings, as stated nnder Australian stock exchange rules, more than quadrupled from A\$15.4m, but the directors warn the comparison is not meaningful because of the high level of debt carried in the previous

That debt was restructured when the present company was created, substantially reducing interest expense. The directors say earnings before interest and tax - np 30.4 per cent to A\$188.0m - make a better comparison.

They say the revenue increase was achieved despite low advertising volumes for the company's major newspapers. The higher revenue was derived from a A\$28.1m advertising increase and a A\$14.6m circulation rise.

The company has entered the 1993-94 financial year with classified and display advertising volumes showing growth. "This bodes well for the cur-

0.5 per cent to A\$580.6m.

has addressed its major costs. namely wages and newsprint. Since June 1992, through early retirements and redundancies, the equivalent full-time nnmher of employees has been reduced by around 5 per cent." Pairfax, in which Mr Conrad

# Earnings hit | Swedish paper groups stage rally

By Hugh Carnegy in Stockholm

STORA and MoDo, two of Sweden's top three forest products companies, yesterday reported improved first-balf results despite what they described as persistent weak demand and prices in their

European markets.
Stora, the leading pulp and paper group in Europe, returned to the black, showing a profit after financial items of SKr30m (\$3.7m) compared with a loss in the same 1992 period of SKr163m. Sales totalled SKr25.3hn, compared with SKr24.3bn.

MoDo cut its loss after financial items to SKr353m from

SKr8.4bn (SKr8.2bn), and announced plans for a one-fortwo rights issue in the autumn to raise about SKr1.7bn. This, it said, would help the company to take advantage of any

upturn in the industry. The turnround at Stora came despite a sharp fall in operating income to SKr440m from SKr707m. It was attributed to a sharp cut in net financial expenses, to SKr410m from SKr870m, caused by falling interest rates and a rise in contributions from the group's financial services unit. Stora said it had pushed

ahead with a heavy rationalisation programme in the first half, achieving cost reductions

of SKr1.3bn as employee numbers fell to 34,600 compared with 39,800 a year ago. In addition, there were savings of SKr700m from divestments and volume declines

But it said the effects of these were disguised in the half-year results by exchange rate losses of SKr2.6hn, incurred when the costs of foreign units were translated into the weaker Swedisb krona. Mr Lars-Ake Helgesson,

Stora president, said: "We do not expect any substantial changes in the market that will effect our result for all of 1993. What we have achieved so far was because of internal actions and lower interest

Mr Bernt Lôfs, head of MoDo, agreed that the industry continued to suffer from weak demand, low prices and overca pacity in western Europe. He warned that MoDo, which pushed up operating profits in the first half to SKr346m from Skr59m, would incur a further loss in the second balf of the

But he added that there were signs that the worst of the recession was over. The planned rights issue, to he priced at SKr120 per share would give MoDo the financial strength to take advantage of an upturn. The issue will apply to existing holders of ordinary shares and convertible participating notes.

Steel division

lifts Sandvik

in first half

# Reader's Digest marks time

By Frank McGurty in New York

READER'S Digest Association, the New York-based publisher of books, magazines and other products, yesterday disappointed investors by reporting only a 2 per cent gain in underlying net income for the fourth

quarter. The result reflected the continued weakness of its US books and home entertainment husinesa: And Wall Street reacted by marking down the company's shares by \$1% to \$39 in morning trading on the New York Stock Exchange.

Net income for the quarter ended June edged higher to

revenues of \$644.4m. The result compares with net income of \$26,2m. or 22 cents, and \$605.4m in revenues in the year-earlier quarter.

When restated to reflect changes in accounting for post retirement benefit, net income for the 1993 period was \$25.8m. or 22 cents.

International revenues in the 1993 period showed a solid 11 per cent increase, and would have been 17 per cent higher without adverse exchange rate movements. However, US revenues were unchanged from the year-earlier period. Mr George Grune, chairman,

\$26.8m, or 23 cents a share, on said the company had made some progress in restoring the books and home entertainment division to its historic level of growth, but warned that it may require 12 to 24 months to

> A strong performance in overseas markets also was

entertainment segment turning in weaker sales on the

## Cathay Pacific down by 46% mated HK\$240m reduction in

By Simon Davies In Hong Kong

CATHAY PACIFIC Airways, Swire Pacific's Hong Koughased international airline, yesterday revealed first-half 1993 earnings of HK\$681m (US\$88m), down 46 per cent from 1992's HK\$1.26bn.

The results were significantly below analysts' expectations, with the airline suffering from the weak performance of its routes to recession-hit

Japan and Europe. Cathay Pacific was also seriously hit hy the cabin attendants' strike during January, which Mr Peter Sutch, chairman, said had caused an esti-

By Christopher Brown-Humes

AVESTA Sheffield, the

Anglo-Swedish stainless steel

producer, yesterday disclosed a

second-quarter profit of SKr9m

(\$1,12m), a strong turnround on the SKr53m loss for the first

The group attributed the het-

ter performance to improved

productivity, rather than to a

market upturn. It did not pro-

vide comparative figures as it was only formed through the

merger of Avesta and British

First-half sales amounted to

¥10,700

¥127 90 = \$t

SKr7.14hn, against SKr11.6bn

Steel Stainless last November.

lhree months.

Avesta Sheffield back in

black in second quarter

profits Revenues of HK\$11hn were marginally up on the previous

year. The interim dividend is being held at 10.5 cents a share. Mr Sutch said: "Although

the full year's results are expected to be materially lower than 1992, we expect that the second half-year's results will not show a percentage drop as great as indicated for the first half year."

Asia's airlines had previ-ously shown themselves to be relatively recession-proof, but with rapidly-increasing capacity and internal competition, at a time of weak global markets.

after depreciation was

Lower financial expenses left

the group with a loss after

financial items of SKr44m after

including a negative SKr49m

adjustment for changes in

The group said its strong

position in the recovering UK

and North American markets

should offset weak demand in

most of Europe in the second

It expects to show a consider-

able improvement on last

SKr142m, compared with a

SKr180m loss for all 1992.

inventory values.

year's SKr56im loss.

earnings are finally being hit. Mr Sutch said: "The main cause of the drop in profits was the effect of the continuing recession in the company's major markets, parlicularly

Japan and Europe." Cathay has suffered the additional disadvantage of Hong Kong's high inflation; it was the airlines' push to control operating costs, that ultimately resulted in the flight attendants' strike.

Passengers carried during the first half of the year totalled 4.1m, a rise of 3 per cent. However, the airline's load factor fell 3 per cent, as a result of increased capacity from two new aircraft.

Philip Morris

pegs dividend

PHILIP MORKIS, the food and

tobacco group which set off a

price war in the US cigarette

industry last April by slashing

the price of its Marlboro hrand,

yesterday disappointed Wall

it declared it would pay its

existing 65 cents a share divi-

dend to investors on October

12, dashing analysts' hopes of

an increase of up to 7 or 8 per

Philip Morris shares fell 83

on the news, to stand at \$48%

in lunchtime trading on the

New York Stock Exchange.

Street by not increasing its

By Martin Dickson

quarterly dividend.

By Christopher Brown-Humes SANDVIK, the Swedish engineering group, boosted first-half profits by 10 per cent to SKr994m (\$123.5m) as a sharp

improvement at its steel divi-sion offset the impact of continued weak demand. It said it remained on course to increase 1993 profits above last year's SKr1,53hn.

The stronger Swedish krona helped the group lift sales by 25 per cent to SKr10.7bn, while orders rose 28 per cent to SKr11.3bn Excluding acquisitions and

currency movements, sales were 4 per cent lower, Demand was "very weak" in Europe, particularly in Germany, and there was little evidenca of recovery in Japan, the com-pany said, However, it noted relatively slrong growth in Australia and Asia and some growth in North America and most of Latin America.

The star performer was the steel division, where profits rose to SKr231m from SKr25m ou a 24 per cent increase in revenues to SKr3.25hn. The weaker krona helped the group lift volumes.

The cemented carbide division lifted profits to SKr650m from SKr586m as sales swelled 34 per cent to SKr5.87bn. But the process systems division swing to a SKr24m loss from a SKr26m profit.

## Bell Atlantic wins TV ruling

By Martin Dickson in New York

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BELL ATLANTIC, the large east coast telecommunications company, won an important legal victory which could make it the first US local telephone company offering cable televi-sion in its telephone service

It said a US district court in Alexandria, Virginia, had declared unconstitutional a provision in the 1984 Cable Act filed suit last December in

days after surrender.

Woolgate House

Coleman Street

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•

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blocking telephone companies from providing cable programming in areas where they provide a telephone service.

The case, which seems likely to go to appeal, sets a legal precedent and may prompt other local telephone companies to mount similar cases.

Bell Atlantic, one of the seven regional "Baby Bell" telephone companies spun off in the mid-1980s from American Telephone & Telegraph,

RHONE-POULENC SA.

Holders of Bearer and Registered

International Depositary Receipts (IDRs)

Holders of Registered IDRs are given notice that their payment will

Holders of Bearer IDRs are given notice that the Annual Payment will be paid from August 31, 1993 (Payable Date). The Annual Payment is French Francs 25.05 per IDR Share.

Holders of Bearer IDRs will be paid by Chase Manhartan Bank

not less than 3 business days prior to the Payable Date. If surrender of

All Holders of Bearer IDRs are required to submit the name and

address of a bank in Paris and a French Franc account for payment, or

an address for which payment should be sent by Irench Irane check.

Coupon No. 4 is less than 3 business days prior to the Payable Date,

(Paving Agent) against presentation and surrender of Coupon No. 4

the Annual Payment will be made by the Paying Agent 3 business

be mailed to them on August 31, 1993.

Coupon No. 4 may be presented to:

The Chase Manhartan Bank NA.

London, England EC2P 2HD

The Chase Manhattan Bank

Luxembourg S.A.

Alexandria against the US government agencies responsible for overseeing the 1984 Act. It wants initially to offer a

cable television service to 60,000 customers in Alexandria, just across the Potomac River from Washington DC. The cable industry seems certain to appeal the ruling. The federal government could also object, although the execu-

tive branch has generally

favoured breaking down regu-

The Chase Manhattan Bank

The Chase Manhattan Bank

"THE BANK OF NEW YORK,

63 rue du Rhone

CH-1204, Geneva

Switzerland

NA.

75001 Paris

**France** 

42 rue Cambon

AS DEPOSITARY

## Notice to the Bondholders of

**JAFCO** Japan Associated Finance Co., Ltd. (the "Company")

U.S. \$200,000,000 4% per cent. Convertible Bonds 1999 Ithe "Bonds")

NOTICE IS HEREBY GIVEN pursuant to Continuous StB1 and 14 of the Terms and Conditions (the "Conditions") of the Bonds that the Company has determined to redeem on 30th September, 1993 (the "Redemption Date") all outstanding Bonds at the proce of 103 per cent, of the principal amount of the Bonds together with interest accrued to the Redemptorn Date. Set out below is the referant information.

Applicable 20 consecutive trading days: From and including 23rd July, 1993 to and including 19th August, 1993 Conversion price in effect on 26th August, 1993: The average of high and low sales prices of the Company's shares as reported by the Japan Securities Doalers

Association on 19th August, 1993: The rate of exchange applicable upon conversion: Aggregate principal amount of the Bonds out standing as at 19th August, 1993.

\$1.45.3111,000 We would like to call your attention that, pursuant to Condition (1Alti), the Bonds cannot be converted after the close of business on 30th September, 1993. Japan Associated Finance Co., I.Id.

By: THE SANWA BANK, LIMITED Dated: 26th August, 1993 Lordon Branch

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# For The State of t | I'r haw have produced produc

August 26, 1993

5 rue Placris

Lancembourg

L-2338

#### The Republic of Panama U.S. \$70,000,000

Floating Rate Serial Notes due 1990 For the period 26th August, 1993 to 28th February, 1994

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 7 per cent. per annum, and that the interest accrued on the outstanding unpaid principal to 28th February, 1994 will be U.S. \$108.50.

The Industrial Bank of Japan, Limited Agent Bank

US\$900,000,000 Floating Rate Subordinated Loan Participation Certificates due 2006 issued by Salomon Brothers Aktlengeselischaft. For the purpose of Erancing a subordinated toan to

A The Mitsubishi Bank, Limited Notice is hereby given that for the three months period from 26th August 1993 to 26th November 1993 the Certificates will carry a Coupon Rate of

Coupon payable on 26th November 1993 will amount to US\$ 894,44 per US\$100,000.00 Certificate and USS 8,944.40 per USS 1,000.000.00 Certificate, respectively Mitsuhishi Bank (Europe) S.A.

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An Agent Bank

CENTRALE NUCLEAIRE EUROPEENNE A NEUTRONS RAPIDES S.A. - NERSA FRF 700.000.000 GUARANTEED FLOATING RATE NOTES DUE 1996 For the period
August 25, 1993 to
November 25, 1993 to
November 25, 1993
e new rate has been fixed
at 7,44921 % P.A.
Next payment date:
November 25, 1993
Coupon nr: 16
Amount:
FRF 190,37 for the
denomination of
FRF 1903,69 for the
omination of ref 1903,69 for the THE PRINCIPAL PAYING AGENT SOGENAL SOCRETE GENERALE GROUP

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FINANCIALTIMES

#### NOTICE OF REDEMPTION To the Holders of REPUBLIC OF CHILE Floating Rate Bonds Dne 1996

Floating Rate Bonds Due 1997

Redemption Date: September 27 1993 Notice is hereby given that the Republic of Chile (the "Issuer") has elected to redeem on September 27, 1993, the "Redemption Date"), pursuant to the provisions of the Bond Subscription Agreement, dated as of January 23, 1991 (the Bond Subscription Agreement"), among the Issuer, the financial institutions listed on the signature pages thereto, Chemical Bank (as successor by merger to Manufacturers Hanover Trust Company), as fiscal agent (the "Fiscal Agent"), and Chemical Investment Bank Ltd. agent (the "secta Agent"), and chemical investment bank but tas successor by merger to Manufactueres Hanover Limited), as paying agent, (i) all of its outstanding Floating Rate Bonds Due 1996 (the "Series A Bonds") at a redemption price for each Series A Bond equal to the sum of (x) 100% of the outstanding principal amount of such Series A Bond on the Redemption Date and (y) accrued and unpaid interest from March 26, 1993 to the Redemption Date of \$6,182.73 per \$250,000 outstanding principal amount of such Series A Bond (collectively, the "Series A Redemption Price") and (ii) all of its outstanding Floating Rate Bonds Due 1987 (the "Series B Bonds", and together with the Series B Bonds, the "Bonds") at a redemption price for each Series B Bond equal to the sum of (x) 100% of the outstanding principal amount of such Series B Bond on the Redemption Date and (y) accrued and unpaid interest from March 25, 1993 to the Redemption Date of \$6,216.15 per \$250,000 outstanding principal amount of such Series B Bond (collectively, the "Series B Redemption Price"). The Series A Redemption Price and the Redemption Price\*). The Series A Redemption Price and the Series B Redemption Price will become due and payable on the Redemption Date upon presentation and surrender of the Bonds (together with all immatured interest and principal coupons appertanting thereto) to Chemical Investment Bank Ltd. or Kredictbank S.A. Luxembourgeoise as paying agents with respect to the Bonds (collectively, the "Paying Agents"), at their respective addresses set forth in this Notice. Interest on the Bonds (and other manuscrepts the respective payable thereunder) whill cores to accurage and other amounts payable thereunder) shall cease to accrue on and after the Redemption Date.

Bonds, logether with all unmatured interest and principal coupons apportaining thereto, must be surrendered to either Paying Agent listed below.

The method of delivery of the Bonds is at the option and risk of the holder of the Bonds, but if mail is used, registered mail with return receipt requested, properly insured, is recommended.

Copies of this Notice of Redemption may be obtained from either Paying Agent listed on the attached schedule, or the Fiscal Agent at 270 Park Avenue, New York, New York 10017, U.S.A., REPUBLIC OF CHILE

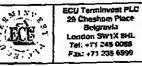
CHEMICAL

BY: CHEMICAL BANK, as Fiscal Agent MEMBER OF THE SECURITIES AND **FUTURES AUTHORITY** 

Schedule of Paying Agents Krediethank S.A. Luxembou 43, Boulevard Royal Chemical Investment Bank Ltd. L2955 Luxembours

1-11 John Adam Street London WC2N OUT





# European sectors rally sharply on rate cut hopes

GROWING expectations that Germany will cut its key interest rate today helped all the main European government bond markets to rally sharply. Confidence in a move by the Bundesbank grew as a survey of 12 German economists showed that the majority expect the discount rate, which

sets the floor for German inter-

#### GOVERNMENT

#### BONDS

est rates, to fall by half a point to 64 per cent. This compares with a consensus in the UK of a quarter point cut, dealers

Also, the latest German regional inflation data showed that price rises in western Germany were slowing

However, yesterday's Bundesbank repo was carried out at an unchanged 6.80 per cent rate and one economist said: "All things being equal, the Bundesbank has no more reason to cut this time than last

At the last council meeting any sellers.

before the summer recess a dis-count rate reduction had been widely flagged, but only the Lombard rate, which sets the celling for lending, was altered. Another economist argued that the traditional refusal of the Bundesbank to bow to market pressures made it even less likely to ease by a half point following the German economists' forecast. On balance, the rate-cut logic would not go away and bund futures on Liffe gained 36 basis points to end at

■ FRENCH government bonds surged ahead yesterday with the futures contract hreaking through several support levels to record a gain of 66 basis points at 122.94.

The rally was led by the futures with heavy turnover of 140,000 contracts. The hullish tone was reinforced by a purchase of 10,000 call options, a bullish trade which gives the investor the right but not the obligation to buy at a fixed price and time.

Dealers said much of the rise was technical with stop-loss buying triggered at certain points and the "feel-good" effect of the market deterring

			_					
	F	T FIXE	DW	ERES	T INE	PICES		
	Aug 25	Aug 24	Aug 23	Aug 20	Aug 19	Ye≇r ago	High *	los •
Govt Secs (UK) Fixed Interest	101.63 123.96	101.51 123.97	101.68 123.93	101.77 124.27	102.07 124.51	97,25 103,34	102.38 124.54	93.28 108.67
Bass 100: Gove * for 1993. Gov Fored interest his	emment S	ampitation:	h stros o 124 54   18	amplietiana NGC, low	127.40 (3/	79	10 (S/1)	// SI
indices*		Aug 24	Aug	23	Aug 20	Aug 1	9	Aug 19
GBt Edged Bary 5-Day average	ples.	93.2 98.0	92 100		92.4 101.6	101.2 106.0		110.9 112,7

This was helped by a stronger franc against the D-Mark and the fundamental view that France needs to cut rates more than Germany.

Ten-year French government bond yields fell further through German yields yesterday, to 5 basis points below the German 10-year bond.

■ IN THE UK, concerns of a significant shift of assets away from the gilts market faded as long-dated paper responded to the rate cut eupboria.

Most dealers had haard

strong rumours that Middle Rastern investors were taking profits on Tnesday. The rumours prompted a number of traders to take short positions, but as the speculation lost ground, books were

higher in a thin market. Long gilt futures for Septemher recovered nearly half a point to close at 112%. ■ HIGH-ylelding markets,

which have greater room for

squared and prices squeezed

interest rate manoeuvre in the event of a German cut, were particularly strong yesterday. Spanish deht prices received additional impetus from the encouraging wage negotiation talks between the government and unions. Also the Spanish peseta broke through Pta80 against the D-Mark, Italian government honds also rose sharply with the futures con-tract lifting more than a point

■ US Treasury prices were

to 113.44.

		Coupon	Red Date	Price	Change	Yield	Week ago	Monti
AUSTRALIA		9.500	08/03	116.1302	+0.628	6.95	6.89	7.19
8BLGIUM		8.000	05/05	112,5000	+0.100	7.11	7.08	7.19
CWANDY .		7.500	12/03	104.4800	+0.530	6.88	7.01	7.34
DENMARK		8.000	05/03	108.5000	-0.250	6.77	6.73	7.10
FRANCE	BTAN	8.000 8.500	05/98 04/03	109.1466 116.8000	+0.379	5.71 6.26	5.79 6.35	6.20 6.70
GERMANY		6.500	07/03	101,6450	+0.360	6.27	6.33	6.51
ITALY		11.500	03/63	111,5450	+0.965	8.85†	10.12	11.06
JAPAN	No 119 No 157	4.500 4.500	05/99 05/05	104.5422 101.6362	+0.397 +0.317	3.79 4.24	3.77 4.20	3.95 4.14
NETHERLAN	DS .	7,000	02/03	105.9200	+0.290	6.19	6.20	6.33
SPAIN		10.300	06/02	106.6750	+0.550	9.15	9.34	10.29
UK GILTS		7.250 8.000 9.000	03/98 06/03 10/08	103-20 107-09 114-26	+3/32 +5/32 +4/32	6.33 6.26 7.36	6.33 6.86 7.28	6.74 7.48 7.88
US TREASU	RY -	6.750 6.250	08/03 08/23	101-24 100-25	+17/32 +18/32	5.52 6.19	5.68 6.25	5.94 6.71
ECU (French	Govt)	8.000	04/03	108.5000	+0.150	8.77	0.51	7.27

mixed across the maturity range yesterday morning, with shorter-dated securities buoyed Reserve was buying notes for a foreign central bank.

By midday the henchmark 30-year government bond was down is at 100%, yielding 6.199 per cent. At the short end of the market, the two-year note was up 1/2 at 1001, to yield 3.842 per cent.

Prices rose in early trading on the news that durable goods orders fell 3.8 per cent in July. The gains, however, were short-lived when traders real-ised that the decline in orders was entirely due to a fall in the always volatile aircraft sales

Excluding transportation orders, durable goods orders actually rose 1.3 per cent in

# July.

## **KOP offers \$100m** in notes as part of recapitalisation

#### By Hugh Carnegy in Stockholm

KANSALLIS-Osake-Pankke, the leading Finnish bank, said yesterday it was issuing perpetual subordinated notes worth \$100m in international

markets as part of its hid to recapitalise following a period of heavy losses without falling back on direct government aid. KOP said the issue, the latest move in a programme to raise about FM4bn from share and bond issues, was being made without recourse to govern-ment guarantees which the Helsinki authorities last week agreed in principle to make available to KOP and Unitas, Finland's second-largest

. The new KOP notes have a maturity of 50 years and carry a coupon of two points above the London interbank offered rate (Libor) until the fifth year, when the coupon will rise to Libor plus 3.5 points. The issue is being lead managed by Salo-mon Brothers international. KOP is, in effect, paying a premium for the notes by not making use of the government guarantee. But the bank said the price was reasonable given the guarantee fees it avoided and the importance to KOP of

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remaining independent. The bank last week announced an international share issue of up to FMIbn to add to the FMihn aiready raised from a share issue earlier this year. It has also raised FM250m in an earlier bond issue and intends to raise a total of FM2bn in bonds.

KOP, which last year took up a FML7bn injection from the state in preference capital, believes it can maintain a capltal adequacy ratio of 10 or 11 per cent - above the 8 per cent international minimum - without further recourse to government aid despite not anticipating a return to profit until

# BT issue injects liquidity to Eurosterling's long end

#### By Antonia Sharpe

**BRITISH Telecommunications** yesterday returned to the international bond market after a three-year absence, and its £500m issue of 10-year injected Eurobonds badly-needed liquidity into the long end of the Eurosterling

Corporate yield spreads have tightened substantially since the start of this year because demand for long-dated, nongovernment sterling paper has far outstripped supply. According to SG Warburg

Securities' corporate unsecured index, the spread over gilts for maturities of 10 years or more has fallen from 153 basis points at the end of 1992 to around 90 basis points.

As a result of the lack of supply, many of the sterling Eurobond issues launched ear-

lier this year have become illiquid and are trading at a large premium to par. But the joint lead manager,

#### INTERNATIONAL BONDS

SG Warhurg, said that BT's bonds should keep their liquid-Ity because of the large size of the issue.

The bonds, which carry a coupon of 7% per ceut, were priced to yield 18 basis points over the S per cent gilt due 2003. When they were freed to trade the spread tightened to 15 basis points. The all-in cost of the unswapped deal to the issuer was 23 basis points over

Treasury officials at BT said the proceeds of the issue would be used for general corporate funding. BT, which repaid over £1bn of its debt last year to bring its gearing below 20 per cent, has £800m worth of scheduled repayments over the next two years.

Meanwhile, syndicate managers are waiting for the World Bank to decide who will lead its next global dollar bond. The World Bank said that the winners of the mandate were likely to be announced early next week.

The offering is expected to raise \$1.25bn and have a maturity of 10 years. The World Bank said that discussions on the spread over US Treasuries had ranged from 10 to 17 basis points. Some syndicate managers expect the issue to be priced at a spread of 14 to 16 basis points.

The Eurodollar sector was active across the yield curve, as more borrowers took advantage of the continued demand

#### **NEW INTERNATIONAL BOND ISSUES** US DOLLARS STERLING Alkance & Leicester B/S FRENCH FRANCS Crédit Nationalii) 104.55R Mey,2003 0.375R +32 (634%-03) CCF OLIN DEDS 150bn Oct.2003 0.325R Banca di Roma SWEDISH KRONOR SHB. London Branch Japan Highway Public Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bend) at launch is supplied by the lead manager, ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level, a) Coupon pays 6-month Liber • 0,1875%; minimum 5,75%, maximum 10%, b) Coupon pays 6-month Liber • 2% for first 5 years and + 3,5% thereefter. Callable at par on any coupon payment date from September 1998, c) Coupon pays 6-month Liber • 0,25%; minimum 5,5%, maximum 8% for first 5 years and 8,5% thereefter, Short last coupon pays 3-month Liber • 0,25%, d) Issue barched on 24/8/93 was increased to \$150m. Coupon pays 6-month Liber + 1,1% for years 1 • 4 and • 2,5% thereefter, Callable at par on any coupon pays a-month Liber + 0,0825%, f) Fundible with the outstanding FF(5bn. Plus 126 days accrued interest, g) Issued on tap 110/93. Minimum amount F150m; berower intends to raise F300m, trutial issue price is recorded, h) Spread is over interpolated yield curve. i) Callable at par on any coupon payment date after 2 years.

for dollar-denominated paper. At the short end, Finland's \$250m offering of three-year Eurobonds offered further evidence that investors were looking more favourably

on Scandinavian borrowers. The bonds were priced to yield 28 basis points over underlying US Treasuries.
At the long end, Bellsouth Telecommunications raised

\$300m through an offering of 15-year Eurobonds which syndicate managers said was fairly priced at 50 basis points over the 5% per cent US Treasury due 2003.

#### Sumitomo aims | Turkey allows to establish securities unit

SUMITOMO Trust & Banking will apply to set up a securi-ties dealing subsidiary this autumn, Reuter reports from

The bank said in March that the subsidiary was likely to be capitalised at around Y10bn. This level of capital looks set to rise since Sumitomo plans to let the unit engage in gov-

erument bond trading. Financial reforms allowing banks and brokerages to enter each other's turf through subsidiaries took effect in April. So far, Industrial Bank of Japan, Long-Term Credit Bank of Japan and Norinchukin Bank, the main agricultural co-operative bank, have set up securities arms.

Sumitomo Trust and Mitsubishi Trust & Banking have said they would join the business in 1993-1994. Japan's big commercial

banks are not allowed to set up securities subsidiaries

before next July.

## equity mutual funds on ISE

TURKEY'S Capital Markets Board (SPK) is to allow equitybased mutual funds to be floated on the Istanbul Stock Exchange, Reuter reports from

Istanbul Mr Caner Ertuna, SPK's depnty head, said the decree flowed for the establishment of index-based mutual funds with an obligation to invest at least 95 per cent of their portfolio in shares making up the ISE index. Turkish equity funds now total more than

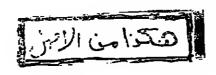
TL3,000bn. Mr Ertuna said: "The new regulations will play an important role to develop financial markets and benefit more efficiently from these markets in privatisation. A parallel market will develop and the gov-ernment will be able to sell a larger portion of its shares to these funds."

The recent implementation of tax advantages to mutual funds had unleashed a flurry of new fund issues.

#### MARKET STATISTICS

	MARKET STATISTICS	
FT/ISMA INTERNATIONAL BOND SERVICE	RISES AND FALLS YESTERDAY	LIFFE EQUITY OPTIONS
Listed are the latest informational bracks for which there is an adequate secondary market.   Listed process at 6:55 pm on August 27	### RISES AND FALLS YESTERDAY    Birtish Funds	CALLS
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Hyurida Motor Pin 912 67	TRADITIONAL OPTIONS  First Dealings Aug. 23 Calls: Aminex, Aran Energy, Last Dealings Sept. 10 Avasco, Bulmer (HP), Chloride.	FT-ACTUARIES FIXED INTEREST IN
Guestoc Hydro 6 08	Last Declarations Sept. 10 Avesco, Bulmer (HP), Chloride, Last Declarations Nov. 25 City of London, Dickle (J), MB Cer- For settlement Dec. 8 adon, Psion and SEP. Puts: Henring 3-month call rate indications are Baker and LTT Ord, Puts & Calls:	PRICE MOICES AVERAGE GROSS REVENITION YIELDS
Tell STRAMPTS   Series Free CC   400   101   1224   1334   1355   16.50	FT-SE ACTUARIES INDICES  The FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of treland Limited. Or The International Stock Exchange of the United Kingdom and Republic of treland Limited 1933 All residents reserved.	Wed Aug 25   The Aug 24   Accrued ad
World Bank 6-k 00	and Republic of freland Limited. D The International Stock Exchange of the United Kingdom and Republic of feeland Limited 193 All rights reserved.  The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the institute of Actuaries and the Faculty of Actuaries. O The Financial Times Limited 1933. All rights reserved.  The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 250 indices, the FT-SE Actuaries Industry Exchets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated to accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Equality of all London Stock Exchange in conjunction with	State   Column   Co

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# CarnaudMetalbox sale Bold deal soothes anxious onlookers hits half-year outcome Maggie Urry on why RTZ's £800m disposal solves MB-Caradon's predicament

response by the stock market to MB-Caradon's

purchase of RTZ's industrial

activities was as much relief at

the deals not done as a wel-

situation. In April it raised £467.5m net of costs from

selling its quarter stake in Car-

naudMetalbox, the packaging group, and the money was

burning a hole in its pocket.

With a market capitalisation

yesterday morning of £1.43bn,

the CMB money represented

almost a third of MB-Caradon's

With interest rates low the

return on the cash was negligi-

ble compared to what it could

be earning if invested in a business. That was bound to

depress the group's current

year earnings. So MB-Caradon needed to

put that money back to work

as quickly as possible, and

wanted to invest in the area of

building products which it

regards as its core.

MB-Caradon was in a tricky

come for the acquisition.

By Maggie Uny

INTERIM RESULTS from MB-Caradon were hit by the sale for £487m net of tax and expenses of its 25.3 per cent stake in CarnaudMetalbox in April and by competitive trading conditions in some of its markets.

However, translation of overseas profits at lower sterling exchange rates boosted pre-tax profits, which, excluding exceptional items, were 2 per cent lower at £59.5m. Operating profits, which ignore the affect of the CMB sale, rose 20.5 per cent to £51.2m.

Earnings per share fell from 7.5p to 7.2p, excluding exceptional items, because of the dilution from the sale of the CMB stake. Including exceptionals earnings were 24.5p. The interim dividend goes up 3 per cent to 2.83p (2.75p). The CMB stake contributed

By Kenneth Gooding,

Mining Correspondent

ticularly competitive in bath-25.2m (£20.6m) in associate room products. He said signs of

RTZ CORPORATION, the world's biggest

mining company, will have raised about £1.2bn

cash from disposals once it banks the money

from the sale of the Pillar businesses. But don't

- including \$600m (£403m) from the sale of oil,

gas and gold assets from the Nerco US coal

company acquired for \$1.1bn earlier this year -

would not open up any new opportunities for RTZ, which was continuously looking for min-

But these opportunities came along only spo-

radically and RTZ had no deals nearing com-

Sir Derek Birkin, RTZ's chairman, said the sale of Pillar "is consistent with RTZ's strategy

of concentrating solely on our world-class min-

ing assets where we have strong competitive

The deal with MB-Caradon was signed at

7.31am yesterday, after months of negotiations.

MB-Caradon said it first asked RTZ 18 months

ago if Pillar might be for sale and was told It

could be at the right price. But MB-Caradon

could not move until it had sold its stake in

CarnaudMetalbox, a process it put in train early

Mr Bob Wilson, chief executive, said the cash

expect it to go on a buying spree.

ing investments around the world.

pletion in the next few months.

end-June, and the proceeds of the sale reversed an interest charge of £2.5m to interest receivable of £3.1m.

It also produced an exceptional profit of 2100.3m, against which a £7m provision was set relating to the restructuring of the UK cheque printing opera-

The group, which is chang-

ing its name to Caradon, increased turnover by 13.5 per cent to £368.4m, including £2.9m of sales from the US Checks in the Mail business bought at the end of May. Turnover from the UK building products division increased

10 per cent to £205.4m, with volumes up 11 per cent and prices down I per cent. Operat-ing profits fell 3 per cent to £17.3m. Mr Peter Jansen, chief executive, said that pricing was par-

RTZ will net some £900m

from Pillar disposals

recovery were mixed but this was normal at this stage of the cycle and the group was fairly confident. Overseas building products,

largely continental Europe. increased turnover by 18 per cent to £63.4m, but in local currency terms turnover was static with volumes down 3 per cent and prices up 3 per cent. Operating profits rose 33 per

cent to £10m, again boosted by currency translation. Mr Jansen said business on the Continent held up relatively well, with the German construction industry benefiting from changing social needs. Security printing turnover

rose 32 per cent to £99.6m. though in dollar terms the US business increased sales 1 per cent, with volumes up 5 per cent and prices down 4 per cent. Operating profits were 40 per cent higher at £23.9m, including a £600,000 contribu-

Mr Wilson said MB-Caradon made its

approach six months ago, after which RTZ dis-

creetly canvassed other potential buyers and

also considered breaking up Pillar before decid-

ing on the chosen route. "We have satisfied

Earlier this year RTZ sold various smaller

The remaining Pillar operations suffered

"modest" losses last year, Mr Wilson said. These

are to be disposed of "as soon as practicable"

RTZ said that including the earlier sale and on completion of all the Pillar transactions,

together with tax previously provided for, RTZ

Last year, net earnings of the whole Pillar

Once all the Pillar assets are sold RTZ expects

to face an exceptional loss of about £165m after

writing back goodwill - mainly arising from the

1988 acquisition of the minority interests of

Indal in Canada - and other accounting adjust-

ments, RTZ said that, without the write-back of

goodwill, there would have been a profit of

about £245m, representing a 40 per cent pre-

On completion of the sale to MB-Caradon,

RTZ's gearing will fall from about 40 per cent to

business were £20m after charging £10m after

Pillar operations, principally the Skipper vehicle

ourselves we got the best-possible deal."

distribution business in the UK, for £30m.

would realise about £900m.

tax in reorganisation costs.

mium on net asset value.

At the same time, the stock market was pushing up the prices of likely target companies as it anticipated the effect of recovery on such cyclical The market feared that MB-

Caradon's urgent need to invest would draw it into a hostile bid for a quoted company, and force it to pay well over the odds. Said one analyst yesterday:

The RTZ deal is the answer to a maiden's prayer. As far as buying a quoted company goes, MB-Caradon was left for dead. The market bad pushed up prices, leaving no room for a takeover premium.

Another concern was MB-Caradon's earlier intention to expand in European building materials. With recession still deepening in continental Europe, but asset prices not yet reflecting that, it would have been just the wrong time

The £800m deal announced yesterday to buy most of RTZ's Pillar group of industrial businesses is by far the better solu-It takes MB-Caradon into the

North American building products market, and adds leading brands in the UK, such as MK Electric, Friedland, Catnic and



Peter Jansen (left) and Antony Hichens will be pushing through margin enhancment from 2.9 per cent in North America

The European business is relatively small at 8 per cent of turnover.

The acquisition price might look high at first - the exit ple on stated pre-tax profits of £51.3m is about 24. But tbat is after £16.5m of bead office costs - which MB-Cara-don might halve - and £8.6m of reorganisation costs. Adjusting for those and the pension contribution MB Caradon will have to pay, the exit ple for 1992 might be nearer 19, somewhat below the building materials sector rating.

ven so, the deal is a bold step. It will double the size of MB-Caradon's building products operations, and brings in a few businesses about which the group knows nothing.

But in spite of its short history, MB-Caradon is no stranger to the big deal. And Mr Peter Jansen, chief executive, and bis team bave built a faithful following in the

The original business of Caradon was formed in 1985 through a £61m management buy-out of the building activities of Reed International, which was beginning to concentrate on its publishing

could be sold for a good Mr Jansen said MB-Caradon first approached RTZ about the Pillar husinesses 18 months

ago, beginning detailed negotiations once the CMB stake had The talks must have involved some hard bargain-

ing. RTZ was keen to sell the whole of the Pillar business, but MB-Caradon only wanted the building products activi-

in the eventual compromise, MB-Caradon bas ended up with businesses making 72 per cent of sales from building products, another 12 per cent from automotive components. which will fit with MB-Caradon's existing automotive husinesses, and the rest in areas the buyer knows little about but believes has some

depends on MB-Caradon pusbing Pillar's margins up to its executive and Mr Antony Hichown levels.

in 1992, the Pillar businesses tbey still bold. They had being acquired made an operating profit of £75.4m on sales of £981m. a margin of 7.7 per

MB-Caradon's own building products activities had turnover of £500.8m and operating profits of £54.1m, a 10.8 per cent margin,

The next big deal came in The particular area of con-1989 when Caradon reversed cern must be North America. into MB Group, which bad just where turnover of £333m from bullding products in 1992 produced profits of only merged its packaging subsidiary into CarnaudMetalbox. paid £338m for Caradon, £9.5m, a margin of 2.9 per but it was soon clear that the

The hope must be that MB-Caradon can inject its sales

Industrial £159m

and marketing flair into the RTZ activities. It aims to bring its ideas of branding and differ entiation to the Pillar busi-

Mr Jansen gave a clue as to what might happen yesterday when he said that Peachtree, which makes wooden doors and windows in the US, was an upmarket product with a

downmarket sales approach, suggesting that prices could be ousbed bigber while quality was emphasised With about 13 per cent of the US market for windows and doors, MB-Caradon reckons

build on. hile Mr Jansen, a Dutchman, still Europe in the longer term, in the next couple of years at least, the group will he riding the UK and US economic cycles and pushing through

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that it has a good position to

Yesterday analysts were pencilling in a strongly advancing profit and earnings per share

margin enhancement

The deal, due to be completed at the end of October, will make little difference to current year profits, which were already forecast at about £125m before exceptionals and

But for 1994, analysts are looking at numbers of about £200m and perbaps between £240m and £250m for 1995. That suggests a p/e reducing sharply from the prospective multiple for 1993 of about 22.

From a 261m mbo to profits of £250m in 10 years would be an impressive record, justifying the City's faith in the MB-Caradon team.

MB-Caradon's new look

Mr Jansen came in as chief

ens as chairman, positions

worked together at Redland

the building materials group.

market value of £134.4m and

the following year it acquired Everest double glazing plus

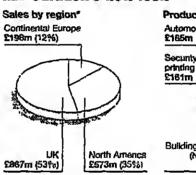
its consumer finance business,

Caradon management would

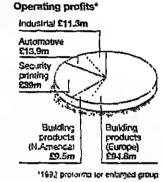
run the show.

also from RTZ, for £80m.

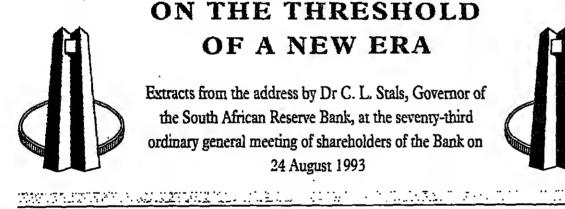
in 1987 Caradon floated at a



£333m



SEPREMENTAL SOUTH AFRICAN RESERVE BANK



## ON THE THRESHOLD OF A NEW ERA

Extracts from the address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the seventy-third ordinary general meeting of shareholders of the Bank on 24 August 1993



The recession in the South African economy, which had started in March 1989, deepened considerably in 1992 and then levelled off in the first half of 1993.

Two major exogenous events influenced the course of the concess during the past eighteen months:

Firstly, the secret drought of the 1991/92 agricultural section adversely affected not only economic activity in the summer rainfall areas, but also the balance of payments, the foreign reserves and the overall inquidity situation.

Seconds, the numerical assessment process aimed

figurative strained Sectionally, the protested negotiation process aimed at political and rocial reform, and the further escalation of violence and social intest, prolonged the phase of beauers uncertainty and delayed the recovery of investors' and consumers' confidence. receivery of investors and consumer; confidence.

These local developments occurred against the background of a global economy that also remained fairly depressed. Turmoil in the foreign currency markets since September 1992, the de fairly suspension of the

Exchange Rate Mechanism and volatile exchange rate movement among the major currencies also affected the South African balance of

Domestic economic activity bottoms out at low level

After more than three years of almost unmateriapted declines, the quanterly charge in the real gross domestic product, measured at an annual rate, showed withcome increases of 1 per cent in the first and 5 per cent in the seroul quarter of 1905. This was preceded by sharp declines of 5°, per cent in the third and 4 : per cent in the fourth quarter of last year.

Total real domestic expenditure continued to drift downwards throughout 1902, and then showed a rather strong increase at a seasonably adjusted annualised acts of 9 per cent in the first quarter of 1993. These developments were reversed in the second quarter when a large decline in materiories vectored as the volume of exports rose and thet of imports declined. Total real gross domestic expenditure accordingly declined again at a spanning adjusted annualised rate of as much as 12 per cent in the second sparter.

decimed. For this process of the following section is the second quarter.

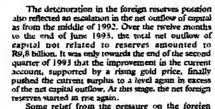
The security of this long-drawn-our recession is best illustrated by the fact that trail employment in the formal non-agricultural section of the economy deciment by 4.9 per cent, or by nearly 286 000 employment opportunities, for it is because of the recession in 1989 up in the end of 1992.

Vulnerability of balance of payments illustrated by sharp decline in foreign reserves

Sharp decline in foreign reserves.

Over the three years from the middle of 1989 to the middle of 1992, 50 oth Africa's net gold and foreign exchange reserves increased by Rh.2 billion, but in the subsequent nine months from July 1992 to Rh.2 billion, but in the subsequent nine months from July 1992 to Mirch 1993 they declined again by Ri billion. All the progress made through the punful adjustment process of three years of depressed domestic rendstops was therefore lost again in a relatively short period of a more three quarters. After an increase of R1,2 billion in the second quarter of 1993, the official net foreign reserves position in the middle of 1993 are actly applied better than it was four years ago.

The severe drought of the 1991/92 season took its roll in respect of the billion of payments through a decline in the exports of agricultural products on the one hand, and a substantial increase in grain imports, on the other is was only in the secand quarter of 1993 when the imports of agricultural products content and total exports of merchandise, including gold, rote sharply, that the current account surplus increased again, Indeed, on a contentally advanted and amutatised basis the current account surplus in the second quarter exceeded R10 billion.



of the net capital officion, at his single, the net total treatment at the again.

Some relief from the pressure on the foreign reserves could come from an early finalisation of the debt rescheduling negotiations now under way between the South African debt rescheduling committee and the representative committee of foreign creditors, and also from a normalisation of South African debt with the International

South Africa's relationship with the International Monetary Fund and the World Bank Group. Soth these important issues are now being negotiated within the complex South African polineal process, and cannut, unfortunately, be decided conclusively on underlying economic and financial conditions alone. They do, however, have a profession of first on the current department business mond it is in the profound effect on the current depressed business mood, it is in the nectest of the South African economy that these issues be resolved as

interest of the South African economy that these issues be resolved as soon as possible.

Movements in the exchange rate of the rand over the past year also teffected the underlying trends in the balance of payments. In 1992, the nominal effective exchange rate of the rand against the basket of the currencies of South Africa's major trading partners depreciated by 4,3 per cent, and in the first seven months of 1993, by a further 9,2 per cent, and in the first seven months of 1993, by a further 9,2 per cent. After adultation for the differential in producer price inflation in South Africa and in the relevant other countries, the real effective exchange rate of the rand in June 1993 was 4,2 per cent lower than at the end of 1991.

The funancial rand exchange rate remains to an important extent divorced from fundamental balance of payments developments. It largely teffects the frequently changing perceptions that foreign awestors held of polinical developments in South Africa. In the first six months of 1993, non-residents nevertheless made substantial investments on the Johannesburg Stock Exchange, particularly in gold mining thures. On a net basis, they invested R2.7 billion in South African shares and bonds through wook exchange transactions, and thus absorbed a substantial part of the liquid financial rand balances held by oon-residents in the form of designated deposits with South African authorised dealers in foreign eachange. In the process, the financial rand exchange rate appreciated by 8,8 per cent in the first seven months of 1993, after having depreciated by 4,7 per cent in 1992. The financial rand discount run-d-via the commercial rand naturowed from 37,2 per cent on 31 December 1992 to 28,4 per cent on 13 August 1993.

Generate rate in the money stantily declines and

#### Growth rate in the money supply declines and interest rates come under pressure

In the singulary of the depressed real economic activity of the post year and under the influence of the per outflow of funds in the rest of the world, the rate of growth over twelve months in the M3 money supply slowed down from 10.4 per cent in February 1992 to 8.0 per cent in December 1992.

During the first seven months of 1993, the growth rate in the broad money supply allowed even further. Over the readve months up to the end of June 1993, M3 mercased by only 3.5 per cent, which was below the lower level of the monetary guidelines of 6 m 9 per cent amounteed by the Bank for 1993. An increase in the velocity of circulation of M3 over this period, however, compensated partly for the lower rate of increase in the M3 money supply itself.

The rare of increase in M3 was also influenced by a significant slowdown in the expansion of bank credit extended to the private sector. Over the twelve months up to the end of June 1995, the banks' total claims on the private sector rose by only 7,0 per cent above the level of 12 months

The strong declining trend in money market interest rates which had

The strong declining trend in money market interest rates which had commenced already in February 1990 and which galand considerable momentum during the first nine months of 1992, was also tempered by the deterioration in the overall balance of payments situation. A few of the more flexible short-term interest rates actually tended to move upwards again in the second quarter of 1993.

The Reserve Bank on two occasions during the past twelve months endorsed lower interest rates in the market by reducing its Bank rate. After having been reduced gradually from a peak of 18 per cent to 15 per cent in three steps from March 1991 to June 1992, Bank rate was reduced further to 14 per cent in November 1992 and again to 13 per cent in February 1993.

#### Increase in public-sector borrowing requirement

The total borrowing requirement of general government rose from R2, I billion in the fiscal year 1989/90 to R31.7 billion in 1992/93. At this level, the borrowing requirement represented 9,5 per cent of gross domestic product. It also exceeded general government capital expenditure by a substantial margin. Although it was possible to finance the total general government deficit of 1992/93 with telative case in the depressed economic climate of the past year, a continuation of dissaving by government on the same scale is bound to compete sooner or later with increases in the demand for funds that will emanate from the private sector, particularly once the economy starts recovering again.

The Reserve Bank fully supports the efforts of the Minister of Finance to reduce the size of the deficit, even in the current depressed economic environment. In terms of the central government's budget projections for 1993/94, the deficit before borrowing will be reduced to R25,9 billion, down from R29,4 billion in the preceding fiscal year.

#### Inflation in the single-digit range

It remains the prime objective of monetary policy to achieve a low and stable rate of inflation to ensure durable economic growth. In the medium and looger term price stability is a necessary condition, though not in itself a sufficient guarantee, of course, for a high level of investment, rapid economic growth and full employment.

a sufficient guarantee, or course, for a night level of investment, rapid economic growth and full employment.

Some further progress was made towards this goal with the rise in the all-goods production price indea, measured over periods of twelve months, remaining below the level of 10 per cent throughout the past year, and with the rise in the consumer price index falling to 9.6 per cent in December 1992 and to 9.0 per cent in February 1993. Sharp increases in detectional fees in Manch 1993, a four percentage point rise in the rate of value added tax from 10 to 14 per cent, an increase in the price of petrol and increases in other indirect taxes in April 1993, caused the twelve-month rate of increases in the overall consumer price index to accelerate to 11,0 per cent in April, before it declined again to 10,0 per cent in June 1993.

The underlying inflationary pressures subsided significantly in the past year. When the once-off effect of the increase in the value added tax rate in April 1993 is excluded, the rate of consumer price inflation in June 1993, measured over a period of twelve mooths, was only about 8 per cent, compared with the even better overall producer price rate of inflation of only 6.4 per cent.

The social consequences of inflation should also not be underestimated. Stable money is not only a necessary condition for economic growth, but

Stable money is not only a necessary condition for economic growth, but also for a viable democracy. Hyperinflation has in the history of the world asso for a viance democracy. Hypernillation has in the history of the world not only destroyed the economies of countries, but has also led to the destruction of many democratic social systems. South Africa now needs financial stability more than ever before, not only in support of sustainable economic growth so desperately needed by all, but also in underpin any new democratic dispensation.

#### Changes in the financial regulatory structure

The Government announced its acceptance of the sound principle of a holistic approach to the regulation of financial services. This decision was prompted by the development of multi-functional institutions which requires co-ordination, not only of the determination of financial regulation policy (in order to achieve competitive neutrality or a "level playing field"), but also of its implementation and of financial supervision.

The Government appointed a Policy Board for Financial Services and Regulation. The Board was not assigned executive powers. As its name indicates, however, it was given the responsibility of formulating and co-ordinates achieve religious to the further development of the function continuous colors religious to the function of the function continuous.

the Government appointed a roucy Board for Financial Services and Regulation. The Board was not assigned executive powers. As its name indicates, however, h was given the responsibility of formulating and co-ordinating policy relating to the further development of the financial services sector and to financial regulation. In terms of this arrangement, the Office of the Registrar of Banks within the Reserve Bank will remain responsible for banking regulation and supervision, and the Office of the Executive Officer of the Financial Services Board, for non-bank financial regulation and supervision.

and supervision.

In recognition of the need for the encouragement of the financial sector to provide adequate financial services across the utial spectrum of the South African economy, the Registrar of Banks revised the Mutual Building Societies Act and recently published in its place a recommended

new Mutual Banks Bill. This Bill allows for the registration of "informal" banking institutions and of the existing two permanent nursual building societies as mutual banks, it providing for the expitalisation of banks through mutual participation rather than equity sharsholding, the Bill could serve as a useful bridge between the informal and the formal sections

#### The Reserve Bank and the financial markets

During the course of the past twelve months, a number of changes were

Bank and the financial markers

Firstly, a new simplified basis for the calculation of the minimum cash
reserve and liquid obset requirements for banking institutions was
introduced. The new basis includes all habitants of banks and no longer draws a distinction between short, medium and long-term liabilities. The new basis therefore, now approximates the broad definition of the money supply (M3) which, from a monetary policy point of view, is currently

supply (M3) which, from a monetary policy point of view, is currently regarded as the principal monetary aggregate.

Seonily, on 1 May 1993 the Bank introduced a simplified system for providing accommodation to banking institutions to cover the regular money market shortages. The old system of discounting eligible paper at a series of different rates has now been replaced by a system of extending overnight loans against the collateral of acceptable paper. In the new system, bankers' acceptances have been excluded from the definition of acceptable paper and only short-dated government stock and Treasury, Land Bank and South African Reserve Bank bills now qualify as collateral for the accommodation facility.

Thingle, with the convergation of the Department of Finance.

for the accommodation facility.

Things, with the co-operation of the Department of Finance, arrangements were made for the transfer of at least part of government deposts accounts with private burling institutions. This step anticapates the introduction of proper "tax and loan" accounts that will shortly be opened by the Treasury with banking institutions to serve as depository accounts for tax collections and for the proceeds of loan issues by constraints.

Fourthly, on 1 July 1993, the Bank ceased to participate in small-value or "renal" transactions in its open-market operations. The Bank previously became involved in the retail business in support of increasing overall market liquidity, and of premoting government stock as an attractive investment instrument. In the judgement of the Bank, the time had come for it to withdraw from this section of the market, and the Bank now confines its participation to larger-value transactions of R10 million or more. Agants are appointed on a rotation basis to trade in smallet amounts on the Bank's behalf.

on the Bank's behalf.

In the longer run, all the aforementioned changes are intended to improve the effectiveness of monetary policy. They should support a more flexible interest rate structure that will be more responsive to changes in market coordinous. At the same time, the new system incorporates more efficient bridges that will automatically be applied to curb excessive credit creation through the discount window of the Reserve Bank. The Bank behalf has been at the histories to reserve the histories than the histories to reserve the histories that the histories to reserve the histories that the histories to reserve the histories that the histories that the histories that the histories that the histories th Bank's ability to meet its obligation to protect the value of the rand has therefore been enhanced by these changes.

#### Concluding remarks

There is a growing impatience in South Africa for an early economic recovery. The past year saw yet again a mimber of exogenous factors depressing the economy. The effect on the South African economy is illustrated by a third year of negative growth in the gross domestic product in 1992, a decline in most of the components of gross domestic expenditure and a distressing further increase in unemployment.

On the more positive side, South Africa survived yet another crists in its balance of payments and was able to meet all its international financial commitments, including paying for the additional imports of essectial food, forced by the drought. Moreover, this was achieved without access to normal International Monatary Fund and terrain other international reedit facilities.

credit facilities.

Good progress was also made towards reducing the high rate of inflation, and towards creating a more stable financial entirodiment in general. The decline in the rate of inflation to a single-dight figure provides sufficient proof that an even lower rate, in line with the loa rates now prevailing in the committee of most industrial countries. Furtainable also for South Africa.

for South Africa.

In the first six months of 1993, real economic activity lined its head, albeit mainly because of better weather conditions in some parts of the country. These early signs of a "recovery" have, however, not yet extended to all sectors of the economy.

South Africa now stands on the threshold of a new ern. There are

South Africa now stands on the threshold of a new era. There are many high expectations of what the economy will be able to provide in the coming years. The developments in the balance of partments and in the foreign reserves over the past twelve months were as a stark reminder of what can at this stage realistically be achieved. Within these limit, real wealth can be greated only by our own efforts, increased savings, higher productivity, better management and improved production processes. Financial stability is an indispensable pre-condition for the uptimum development of all these activities. The Reserve Bank therefore remains committed to its mission, namely the protection of the value of the rand.

Con Graman Lark, PC 01107E (London) 071-123-4200. GAKB HYPERFEED P

rs æ æ łe in Je đCirculation levels strong despite rise in cover price | BSkyB

# The Telegraph reports 60% rise to £34.6m

THE TELEGRAPH newspaper group, which publishes The Daily Telegraph and The Sunday Telegraph, boosted interim pre-tax profits by 60 per cent and lifted the dividend by 22 per cent.
The group attributed the rise

to strong circulation levels, a satisfactory advertising performance, and a slight fall in the price of newsprint.

Mr Conrad Black, chairman, said that the directors had had sufficient confidence in the results to boost the dividend to 5.5p (4.5p) "despite inconclu-sive evidence that the recession is ending.

Pre-tax profits for the six months to end-June rose to £34.6m, against £21.6m previously, while turnover improved from £119.9m to £128.1m. Earnings per sbare advanced to 16.6p (11.1p). The shares closed up 29p to 418p.

At the operating level profits rose from £19.1m to £23.8m. Included in the pre-tax figure was £6.5m from the sale in February of the group's stake in Trinity international Holdings, and £4.4m (£1.5m) in income from associates. The latter rise reflected a stroog performance at Fairfax, the Australian publishing group, which saw circulation revenues expand 12 per cent and advertising revenues improve by 5 per cent. The Telegraph had 18.1 per

cent of the Fairfax voting stock at the end of June, and now bolds 19.9 per cent with options and convertible notes to take its stake up to 25 per cent. By the end of the year a further 228m will be needed to



Conrad Black, inconclusive evidence of an eod to the recession

complete the investment programme, taking the total investment to £115m

Revenue from circulation was up 9.4 per cent at £56.8m. Circulation of The Daily Telegraph, which increased its cover price in February from 45p to 48p, fell by 1.8 per cent to 1.02m copies in the first half of the year, according to the Audit Bureau of Circulations. In the same period average quality newspaper circulation fell by just over 3 per

The group said that the Saturday edition of The Daily Telegraph had maintained sales of over 1.2m in the first half, while The Sunday Telegraph had increased sales by

Overall advertising revenue

was aheed 4.3 per cent at 267.9m. with a rise of 10 per cent in display offset by a fall of 3.6 per cent in classified. Classified recruitment advertising was half the 1989 level.

Advertising made up 54 per cent of the total newspaper revenue and circulation contributed 46 per cent, compared with 56 and 44 per cent respec-tively in the corresponding

Mr Black said that the outcome for the next six months would "depend largely on any level of upturn in the advertis-

In addition to the expansion of the stake in Fairfax, The Telegraph invested £67m to take an effective 9.36 per cent increase in Southam, the Cana-

## Independent Newspapers leaps

By Tim Coone in Dublin

INDEPENDENT Newspapers. the Irlsb publishing group, reported pre-tax profits dou-bled to 1214.6m (213.6m) for the half year to June 30. Turnover was up 5 per cent to ES1.5m. The increase in profits from the previous LET.01m was pri-

marily due to an exceptional credit of 122,65m and a sharp reduction in interest charges. The exceptional item represented a gain of I£3.62m resulting from the disposal of a 2 per

cent holding in Mirror Group Newspapers, less redundancy Mr Tony O'Reilly, chairman, of 1992.

Net interest charges fell to 1£751,000 as a result of the conversion to ordinary shares of the 1991 LE30m converible capital bond issue before the coupon became payable this year. Total shares in Issue have increased from 37m last year to some 68m as a result of the conversion and a 2-for-3 scrip issue earlier this year, and will finally amount to 79m on a fully diluted basis.

The interim dividend goes up to 4p (3.3p), payable from earnings of 17.9p (9.7p restated).

reported improvements across the group with increases in advertising market share and higher profit contributions from oational and proviocial titles in Ireland.

Australian Provincial Newspapers, in which the group has a 25 per cent stake, reported a first baif pre-tax profit of A\$11.6m (£5.2m), up from A\$5.1m.

Mr O'Reilly said that he anticipates the cable TV subsidiary in Ireland to have 100,000 subscribers by the yearend, up from 66,000 at the end

## behind advance at **News Intl**

By David Blackwell

MOVE into profits at BSkyB, the satellite television venture, and a £45m swing oo interest helped to boost pre-tax profits at Mr Rupert Murdoch's News Internetional from £48.1m to £161.2m for the year ended in June.

Turnover edged ahead by 2 per cent to £708m. from £696.2m previously. However, nperating profits for the group which publishes The Sun. The Times, The Sunday Times and other UK newspepers rose to £140.9m from a previous £124.9m, a rise of 13 per cent, reflecting an increase in

margins. The group, a subsidiary of the Australian News Corpora-tion, said that revenues from circulation and advertising remeined relatively flet throughout the year. But it had continued to benefit from reduced overbead costs and increased efficiency through plant modernisation.

News International said that the benefit of declining interest rates and the effect of new financing arrangements had led to net income from interest of £1.6m compared with a net interest charge of £43.4m for

the previous year. BSkyB, io which News International has a 50 per cent stake, contributed £26.7m following a loss of £13.3m previously. Total losses from associates in 1991-92 were £17.3m. Pearson, owner of the Financial Times, also bolds a significant stake in the satellite television company following the merger of Sky Television and British Satellite Broadcasting in November 1990.

Analysts estimate that the total trading profit for BSkyB for the full year was £50m before interest on its guaranteed loan facility estimated at between £6m and £7m. They expect the husiness, now reaping the benefits of the merger, to increase trading profits to about £150m in the coming year, However, shareholders in BSkyB have yet to earn a return on their investment.

Profits also benefited from a reduction in losses on sales of fixed assets from £16m to

Earnings per sbare were 15.27p, np from 3.95p. The pay-out on special dividend shares is L369p, made up of an interim 0.701p and a final of 0.668p. This compares with The pre-tax result for the six 0.997p for 1991-92, comprising months to June 30 rose to 0.524p and 0.453p.

### City of Copenhagen

ECU 20,000,000 11 1/2 % 1984-1994 Bonds

The following Bonds will be redeemable, coupon due September 28, 1994 attached

Principal amount remaining outstanding on September 28, 1993: Bonds previously drawn and not yet presented for redemption: 1183 2771 to 2778 md. 4422 to 4433 ind 1208 to 1212 ind 2790 to 2789 md 4522 to 4535 ind

The subscription right may be exercised from 1st January, 1994 until end including 15th December, 1997.
The holders of Profit Sharing Certificates will receive an annual distribution of 7.25% of the par value of the Profit Sharing Certificates. The Profit Sharing Certificates will be entitled to distribution as from 15th September, 1993 (i.e. 106/360 for the The Profit Sharing Certilicates are being offered on the terr

of the Company's announcement dated 26th August, 1993. Copies of the announcement with an English translation, are aveilable on request at the office of the London Subscription It is not intended to seek quotation for the Profit Sharing Certificates on the London Stock Exchenge, however, the sub-scription rights can be traded under Rule 535.4 during the period

COMMERZBANK N

SUBSCRIPTION OFFER FOR PROFIT SHARING

CERTIFICATES WITH WARRANTS ATTACHED

General Meeting of the Company held on 27th May, 1992 the Board of Management has decided to issue DM. 800,000,000 nominal Profit Sharing Certificates with warrants attached ("Profit

Sharing Certificates"). Attached to each Profit Sharing Certificate of a par value of DM. 1,000 are four warrants in bearer form. Two

warrants entitle the holder thereof, subject to the terms and

conditions of the warrants, to subscribe for one bearer share of

The Profit Sharing Certificates are being offered at en issue price of 110% per DM. 1,000 par value by way of rights et the rate of one DM. 1,000 nominal Profit Sharing Certificate for every 40

Commerzbank at DM. 300 for DM. 50 share.

shares of DM. 50 nominal held.

By virtue of the authority conferred upon it by the Annual

1st September, 1993 to 13th September, 1993 inclusing PROCEDURE IN THE UNITED KINGDOM Holders in the United Kingdom wishing to take up rights must

lodge the following: Bearer Share Certificates - Coupon No. 58 and apply during the subscription period 1st September, 1993 to 15th September, 1993 inclusive, at the offices of the London Subscription Agents between 10.00 a.m. and 3.00 p.m. where lodgement forms are obtainable.

Holders of London Deposit Certificates which have not as yet been exchanged for DM. 50 shares in accordance with the notice published on 8th April, 1993, should contact S.G. Warburg & Co. Ltd. with regard to their rights entitlements.

Payment must be made in full on application. Holders wishing to make payment in Sterling should agree the applicable rate of exchange with the London Subscription Agents. Holders of rights enlittements may instruct the London Subentitlements but in order to do so their forms must be lodged with the London Subscription Agents by 3.00 p.m. 10th September,

The Profit Sharing Certificates will be represented by a global refricate which will be deposited with Deutscher Kassenverein AG, Frankfurt/Main. Shares in this global certificate can be transferred in amounts divisible by DM. 1,000. No claims for delivery of definitive certificates can be mede. Coupons should be lodged with:

S.G.WARBURG & CO. LTD. Peying Agency, 2 Finsbury Avenue, London EC2M 2PA

COMMERZBANK AG London Branch. Commerzbank House 23 Austin Friars,

26th August, 1993 COMMERZBANK AKTIENGESELLSCHAFT

On August 13, 1993, Bonds for the principal amount of ECU 5,000,000 have been drawn in the presence of a Notary Public for redemption at par on September 28, 1993

0001 to 1165 incl. 6166 to 9350 incl 19351 to 20000 incl.

1208 to 1212 incl	2790 to 2789 mcl	4522 to 4535 mg.
1217 to 1221 incl.	2815 to 2823 mcl	4539 to 4543 and,
1242 to 1248 inci	2829 to 2835 incl.	4552 to 4556 and
1400 to 1404 met	2890 and 2881	460Z to 4604 incl
1417 to 1419 incl.	2960 to 2964 incl.	4714 to 47-16 and
1430 to 1436 incl.	2984 to 2993 md	4748 to 4755 mcl
1441 and 1442	3015 to 3020 ind.	4788 and 4789
1500 to 1523 mel	3033 to 3038 incl	4821 to 4825 and
1542 to 1548 mcl.	3107 to 3111 incl	4854 to 4858 incl.
1551 to 1556 incl	3144 and 3145	4870 to 4872 mcl
1563 to 1568 incl	3147 to 3150 incl	4878 to 4881 md.
1612 to 1618 incl	3186 and 3187	4890
1632 to 1637 incl	3189 to 3228 incl	4903 to 4922 md
1784 to 1805 incl.	3256 and 3256	4953 to 4974 mcl.
1834 to 1840 incl	3273 and 3274	5075 and 5078
1668 to 1903 met	3302 to 3305 arct.	5110 to 5140 mci
1969 to 1972 incl	3336 to 3381 nd	5183 and 5184
2014 to 2024 incl	3457 to 3474 incl	5197 to 5201 mcl
2035 to 2041 incl	3504	5,349 to 5255 incl.
2048 and 2049	3517 and 3518	5259 and 5260
2061 to 2067 mcl.	3525 to 3528 incl	5295
2075 to \$131 incl.	3596 to 3598 incl	5315 to 5321 and
2144	3614 to 3606 incl	5323 to 5326 mc/
2222 to 2226 incl	2656	5415 to 5419 ind
2224 to 2226 and	3671	5428 to 5430 md.
2234 to 2236 incl. 2242 to 2253 incl.	3674 to 3684 incl	5462 and 5463
2242 10 2253 1103.		
2258 to 2261 incl.	3668	5496 to 5499 and
2263 to 2267 incl	3696 to 3698 inch	5514 to 5524 and
2278 to 2279 incl.	3713 to 3722 incl.	5535 to 5541 and
2322 to 2334 incl	3731 to 3750 incl	5548
2336	3785 to 3789 incl	5823 to 5829 incl
2349 and 2350	3864 to 3867 and	5713 to 5738 inct.
2394 to 2399 incl	3369 to 3889 incl	5759 to 5767 incl.
2402 to 2431 mcl	3905 to 3912 incl	5778 to 5780 incl.
2469 to 2473 incl	3979 to 3983 incl	5784 to 5787 incl
2502 to 2512 met.	3988 and 3989	5789 to 5791 md.
2566 to 2571 mcl	4841 to 4048 ind	5794 to 5904 md
2574 and 2575	4070 and 4071	5914
2590	4143 to 4147 incl.	593-5
2592 to 2595 incl	4209 to 4229 incl	5999 and 5990
2626	4231 to 4234 incl.	6021
2629 to 2651 md	4250 to 4264 incl	6028 to 6038 incl.
2662 to 2665 incl.	4269 to 4281 met.	6063 to 6076 and
2687 to 2694 incl.	4334 and 4335	6150 and 6151
2737 to 2739 incl	4339 and 4340	6154 to 6162 md.
2761 to 2763 incl.	4368 to 4374 incl	18882 to 18889 mct
2767	4404 to 4408 and	

Luxembourg, August 26, 1993



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# New £135m reinsurance group underlines interest in sector

By Richard Lapper

BARCLAYS DE Zoete Wedd is organising finances for e new Sydney-based reinsurance company in e move reflecting growing investor interest in the markst for catastrophe reinsurance.

Reinsurance Australia Corporation is expected to have capital of A\$300m (£135m) and will be beaded by Mr Michael Kelly, a senior London underwriter currently with Kemper

Re (UK).
Five leading Australian pension funds and life insurance companies are investing in REAC, which may be floated

on the Australien stock exchange within the next 12 months. A further A\$200m could be raised to support the

Mr Kelly said the "time was right" to launch the new com-

capacity will not lead to any

new venture's growth. The company will underwrite a worldwide account of property excess of loss business and will aim to be a mar-

pany, which has been under consideration for two years. He believes further rises in rates are likely when insurers renew annual reinsurance pro-grammes later this year and said that the new influx of resumption of rate competi-

It is the latest in a wave of new ventures formed this year following sizeable rate rises since 1990, a shrinkage of capacity in traditional markets, especially in London, and a strong revival in the sector's

profitability. Investors, mainly from the US, are ploughing more than \$1bn (£600m) into Bermuda. the centre of most recent activity, where at least five new ventures have been formed in recent weeks.

Two new companies have also been formed in London, following initiatives by NAC

Re and Liberty Mutual. It has also emerged this week that another specialist London-based reinsurer is to be set up by the Benfield Group, an independent insur-ance broker.

It is understood that the new venture is aiming to have paid-up capital of £50m, writing about £100m premlum

income in its first year. The prospect of rising rates is also leading a number of UK and US banks and securities houses to examine investment in the Lloyd's of London insurance market which is currently opening its doors to corporate capital.

## Gloomy outlook at Hickson after 17% midway decline

By Richard Gourley

HICKSON International, the speciality chemicals and timber treatment company, yesterday disappointed with a 17 per cent fall in profits and e downment of second half prospects.
The company also

announced a reduction in its capital expeoditure programme to prevent gearing from rising further to levels it would consider unacceptable. The pre-tax profits fall from

£14.4m to £12m for the six months to June 30 was partly due to a £2.4m increase in the Interest bill as deposit earnings fell but the group continued to pay fixed rate debt.

The fine chemicals division the group's least mature business area, suffered a 39 per cent fall in operating profit to £3.9m. The division suffered

US helps

to £2.4m

By Kevin Done,

Mayflower

**Motor Industry Correspondent** 

MAYFLOWER, the specialist

UK automotive engineering

company, increased interim

pre-tax profits by 50 per cent,

helped by higher productivity

48 per cent to £48.2m (£32.6m).

raised to 0.45p (0.40p) oo earnings of 1.28p (1.17p).

Mayflower has grown rapidly

in the last three years through

the acquisitions of Motor Pan-

els, the car and commercial

vehicle body maker in 1991,

and International Automotive

Design, an automotive design

and engineering consultancy.

Excluding IAD, which was

bought from the receiver in

April for £3.25m. Mayflower

increased operating profits

from continuing operations by

62 per cent on sales up by 31

per cent. Sales in the US, where the

Motor Panels subsidiary is

involved in the engineering.

manufacturing and assembly

of truck cabs, jumped 92 per cent thanks to the recovery in

demand for trucks above 16

In the first half Mayflower

derived 42.7 per cent of its

turnover from the US and 48.9

It is developing an integrated

automotive engineering and

manufacturing operation in

the US, following the opening

of a product development cen-

tre in Detroit last year and the

\$7.5m (£5.03m) purchase of a

stamping plant in Dhio this

IAD lost £99,000 in the two

months from May to June, but

Mr John Simpson, Mayflower chief executive, said the opera-

tion was expected to break

even this year after losing

The IAD workforce has

falleo to 700 from some 1,100 a

year ago and Mayflower was

preparing a restructuring plan

The seat-belt webbing divi-

sion suffered a 9.5 per cent

sales fall, reflecting the decline

in continental car production.

the remaining lAD

ebout £2.5m in 1992.

operations.

Smith (WHI A ..

per cent from the UK.

tonnes gross vehicle weight.

and a big jump in US sales.

demand and margin pressure in the continental European agrochemicals and detergent ightener markets.

The result also reflected operating difficulties that were larger than expected following September's explosion at Cas-tleford and included provision for a £250,000 fine related to the accident in which five peo-

ple died.
"Our management team
were too confident and too optimistic about how quickly we could get growth back into this division," said Mr Dennis Kerrison, chief executive.

Group turnover amounted to 2198.5m (£173.7m). The interim dividend is maintained at 2.85p, payable from earnings of 4.8p (6.2p).

• COMMENT

Since the August 7 explosion at its Irish plant - the group's sec-

and within a year - the shares have shed over 15 per cent of their value in a rising market. Judging by the downbeat state-ment about second half pros-

pects and the serious deterioration in the fine chemicals division, it is hard to see why the slide should not continue. Even given an element of yield support the shares remain on a demanding prospective multi-ple of 20 for this year on profits forecast now at about £21m, almost e third down on predictions 12 months ago. Hickson's problems stem from the lack of predictability in its earnings. It would not take many more fines for environmental misdemeanors or extra capital costs to update plant to meet more exacting regulatory standards before the balance sheet started to look stretched or the latest profits forecasts looked

## Caution at Aegis despite recovery said yesterday that while the

By Gary Mead

AEGIS, the bolding company of Europe's largest media-buy-ing and planning group, returned to the black with pretax profits of £13.2m for the first six months of 1993. That compared with

break-even last time and a £1.9m loss for the year to December 31 1992 Turnover rose 4 per cent to

£2.37m (£1.58m) oo turnover up £1.45bn (£1.39bn), with the first The interim dividend is three months being particularly strong, analysts said. No interim dividend will be paid and the company reaf-

> firmed that no final dividend will be proposed. Earnings per share were 2.16p (losses of 13.1p). Profits after tax were £9.2m (£8.8m loss). Net average debt in the past six months was £66m.

Mr Frank Law, chairman,

first half results were "satisfac-tory", the overall picture in Europe was still clouded by "a general weakness in European advertising markets" implying "continued pressure on group profits in the second half of the year." Mr Law also said that the group had managed to reduce operating costs by 3 per

Analysts said that the impact of recent legislative changes in France make it difficult to accurately forecast final results for the group, but some were reducing pre-tax profit forecasts from about £28m to £25m or less.

"Aegis have diligently been trying to dig themselves out of e hole. They are still the market leader and are now back in profit. But they are not yet out of the wood," said one analyst.

## James Wilkes back in black with £1m

By Graham Deller

JAMES WILKES, the specialist engineer, returned to profits in the first half of the year reflecting its cost-cutting programme and a strong performance by the Floform and Peter Stubs subsidiaries.

On turnover down to £20.8m (£28.5m restated for FRS 3 including £7.2m for discontinued operations) and after interest charges reduced from £1.89m to £826,000, pre-tax profits amounted to £1.12m against losses last time of £5.67m.

Exceptionel charges were just £73,000, compared with an FRS 3 figure of £6.74m. Mr Douglas Rogers, chair-

man, said the reduction of borrowings remained a key objec-tive and gearing should be cut from the period end level of 92 per cent in the second half.

Floform, which manufactures components for the automotive and aerospace indus-tries, and Peter Stubs, the high speed steel wire and silver steel maker, performed particu-larly well in the US, drawing benefit from the weakness of sterling. Trading et other group businesses, however, remained patchy.

Earnings per share were 4p against restated losses of 31.2p. To conserve cash, the interim dividend is cut from 3.25p to

### **Turnround at S Daniels**

Total last year

1.375

9.3° 1.25 8.65

13.4 11‡ 7.8 3.5

**DIVIDENDS ANNOUNCED** 

n/i 1.85 4.9 0.45† 2.83 0.668 9.9 5.5 2.5

payment

Nov 19 Sept 24 Nov 19 Oct 26 Oct 12 Oct 22 Oct 13 Oct 8 Nov 5

Dividends shown pence per share net except where otherwise stated. †On increased capital. "Equivalent efter allowing for scrip issue. \*Irish currency. †Excludes 10p special. †Proposed final of 0.83p subsequently cancelled.

2.65 3.3° 0.4 2.75 0.453° 9.1 4.5 2.5 3.25

recovery in the first half to June 30 with pre-tax profits of

£25,000, compared with a This followed progress in the second half of 1992 which

for

nii

1.369

resulted in e reduced loss of £64,000 for that year.

The importer and distributor S DANIELS continued its

for the food industry said the period under review benefited from its dried fruit activities while the raw materials business also achieved a satisfac tory result. . Mr Paul Daniels, chairman

said the outcome for the six months would have been considerably better were it not for problems in the confectionery business in a competitive mar-The company had also

moved its focus towards developing its beverage ectivities and further investment in production was planned. Options being considered included a possible factory move.

Turnover improved by 6 per cent to £16.7m (£15.7m). Barnings per share were 0.3p (1.3p losses).

## Bimec to restructure as part of rescue plan

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By Richard Gourley

BANKERS to Bimec, which only two years ago was considered one of the purest of "green" stock market invest-ments, are to write off £5m of debt in a restructuring to keep

the receivers at bay. Announcing the rescue, Mr Roy Barber, chairman, said Bimec would also be suing its anditors, Grant Thornton, for breach of contract and negligence. The perilous state of the company was apparent but undisclosed in the audit for the year ending March 1992, Rimec claims.

The water, waste treatment and engineering company reported pre-tax losses nf £16.4m (£6.04m profits) in the year to end-March, on sales down 22 per cent at £80.8m. This was almost double

the sum of profits in the five previous years and leaves Bimec with negative shareholders' funds. Losses per share amounted to 13.9p (5.1p earnings) and

there is no dividend. In 1992 the group announced and then cancelled its final dividend, causing the shares to lose two thirds of their value. Mr Barber, whn was appointed last September, and Bimec's advisers, Schroders, said that without the restruct-

uring, Lloyds, the company's bankers, would be invited to appoint receivers. As part of the restructuring, Bimec will sell a number of businesses, including assets in its aero and industrial division and two businesses in its water and waste treatment

divisions to EIS, the engineering group. The total proceeds from the sale are expected to be £8m.

EfS is paying £5m. In addition to writing nff £5m of debt, Lloyds is converting £500,000 it is owed into ordinary shares and £3m into preference shares.

The bank has also agreed to provide a five-year £4.9m interest free loan. Lloyds support is dependent on shareholders' approval and Bimec continuing its proposed

disposal programme. Mr Barber said that after the restructuring the group would be focused in waste and water treatment with sales of about £30m. At its peak in 1991 Bimec had sales of more than

Following the restructuring

the company would have repaid, written off nr converted all its £16m of net debt and would have the ability to draw down on the Lloyds bank facility, he said.

The issue of shares to Lloyds Bank will dilute existing ordi-

£100m

nary holdings by 8 per cent.
The businesses being sold to
EIS had combined losses of £3.2m on sales of £24m, after exceptional costs of £2.7m in the last financial year.

Two of the businesses are suppliers of equipment to the process plant, water treat-ment and environmental

industries. The others develop and sup-ply paris and undertake over-hauls and repairs for aircraft and jet engines.

#### LWT managers to share £70m

More than 40 senior managers at LWT (Holdings), parent of London Weekend Television, will be able to reap the rewards of their substantial bonus scheme next Tuesday. They stand to share some

LWT said yesterday the unlisted management shares and listed preferred shares will convert automatically on Tuesday intn nrdinary

Executives are expected to sell immediately at least some of their new holdings.

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# Victaulic cites gas factor for drop to £5.8m

By David Blackwell

VICTAULIC blamed reduced demand from British Gas for a 16 per cent decline in pre-tax profits, from £6.9m to £5.8m, in the six months to June 30

The company makes pipeline products for the gas, water, and construction industries. Total turnover edged ahead to £51.5m (£51.2m), but this included a contribution of £2.5m from Lindapter, a fixings company acquired late last

Reduced sales of £48.9m from continuing operations mainly reflected a fall of £3m in the gas sector's turnover to

The company warned in June that turnover would fall due to lower investment in pipeline infrastructure at Brit-ish Gas because of uncertainty created by the Monopolies and Mergers Commission inquiry.

The MMC report, published on August 17, recommended that British Gas should retain its ownership of the gas distribution network.

Mr David Stewart, Victaulic's managing director, said yesterday that if the MMC recommendations were accepted, positive benefits would start to emerge as the uncertainty surrounding gas distribution faded. But he foresaw no improvement in British Gas purchases this year, and ernment view we are not com-mitting ourselves."

The company had sought to offset the decline in gas pipeline sales by boosting exports to £7.6m (£4.3m). This had been achieved across the board, taking advantage of weaker sterilles and against the sales of the s ling and extra capacity avail-

Demand from the water industry was steady, with turnover unchanged at £22m.

Net interest receivable was nil, compared with £400,000 in the 1992 first half. The company blamed lower UK interest rates and lower average cash balances after the £4.8m acquisition of Lindapter. Mr Stewart said the company

had been earning interest in the UK to offset interest on £3.5m of borrowings in Europe. When interest rates reversed we replaced these borrowings," he said, predicting an improvement in the second half.

Earnings per share were 8.8p (10.3p) and the interim dividend is maintained at 2.5p. The group continued to

reduce costs, and working capital had been reduced from 19 per cent to 16 per cent of sales. Net cash generated was £3.3m. Net cash at the bank

rose to £9.6m (£6.3m). The shares, which fell by 20 per cent to 253p on June 17 after the warning of reduced turnover, closed yesterday up

# Weeding out the weakest links in the chain

Neil Buckley on how Boots and WH Smith plan to revamp their lossmaking Do It All DIY business

OW do Do It All do it for what they do it for?" the DIY chain's 1990 from the merger of Boots' Payless, acquired as part of the

The answer these days is that they don't. Or rather, for the past year or so, they have been doing it only at a trading loss, and losing market share

in the process. Yesterday, WH Smith, which has a 50 per cent stake in the joint venture along with Boots, said its share of losses for the year to May were £14.3m, with sales down by 7.3 per cent.

television advertisements used

With some justification, Smith can point to the tough trading environment in the DIY market as an excuse.

After enjoying double-digit profits growth in the late-1980s through rapid expansion and pushing up gross margins from about 30 per cent to about 34.5 per cent, DIY chains have had a difficult 18 months. The collapse of the housing

market put them under pres-sure, and a price war which raged for much of last year damaged both profits and mar-

Despite the difficult conditions, the two largest DIY chains, B&Q and Texas Homecare, have remained in the black. But Do It All is finding it increasingly difficult to be number three in the market, and suffers from a number of internal weaknesse

The chain was formed in

had different ranges. These were later rationalised and standardised, but that led to an £900m takeover of Ward White in 1989, and WH Smith's Do It Profits and margins at both

chains had been deteriorating before the merger, which was Boots and Smith still insist powerful husiness that would benefit from economies of scale, instead, the new Do it All was hit hy a double whammy.

It was born just as the housing market went into decline,

increase in items out of stock, and to confusion, particularly among former Payless customers, about Do It All's product

they are committed to turning the husiness around. First, a full "portfolio review" is under way, to determine where stores need to be closed or relocated. Distribution is being centralised, which should lead to

1	Share o	f DIY	Spend	ling ?	6		
	1988	1987	1988	1969	1990	1991	1992
08	10.4	11.8	12.7	12.8	13.6	14,7	14.6
exas Homecare	5.9	6.6	7.2	<b>a</b> .1	24	9.5	9.6
o il Afl†	2.5	3.1	3.5	3.7	6.7	6.0	5.6
aylesa t	2.7	3.4	3.8	3.7			-
omebase	1.8	2.1	2.4	2.6	2.8	3.2	3.3
reat Milis	1.5	2.0	2.4	2.6	2.2	2.2	2.7
fickes	1.7	2.0	2.4	2.4	2.6	2.7	2.8
Companies merged in 1	990.				Sounce	a. Verdict &	stimate:

and then, before it had time properly to integrate the two chains and to establish a coherent trading formula, it was dragged into the DIY price

The result, as one analyst put it, was that "two small, weak chains merged to produce a larger weak chain. The chain was saddled with some old stores, often in poor

locations, and of widely differ-

Do It All and Payless also

to improve standards of cus-The chain is also rolling out

own brand.

its "New Trading Concept". involving refitting stores and regrouping products according to different DIY projects - for

and sugar confectionery fac-

tory at Wroclaw, south-west

The company said the site

chosen had good access to pop-

ulation centres. Construction

**NEWS DIGEST** 

greater efficiency. Do lt All is

also trying to develop the

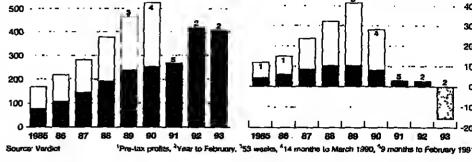
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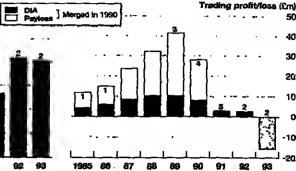
Mr Steve Russell, Do It All's

managing director, is using

experience gained as director of merchandise at Boots to try

Do It All faiters





example, putting everything for hathrooms in one place, rather than taps in one area and tiles in another. Specially-designed informa-

tion boards give advice on how

to carry out various DIY pro-Relits cost hetween £50,000

and £300,000 depending on the age and size of store. Sir Malcolm Fleld, group

managing director, said yesterday percentage sales increases in refitted stores were "moving towards double figures", with sales per square foot "moving towards £100", compared with the £65 per sq ft for the chain as a whole estimated by Verdict, the retail research

But, as Sir Malcolm admit-

A\$11.5m (£4m), and is heing

The acquisition is being

made through McKechnie's

wholly owned subsidiary.

acquired for A\$11.5m cash.

ted, the roll-out is slow. Only 54 stores will have been refitted by next February - out of 220. The pace cannot he quicker, he says, because "these are quite big things to do and there is only so much the infrastructure can take".

Given that Boots and Smith

admit they exacerbated their original problems by failing to integrate Payless and Do It All quickly enough, the apparent lack of urgency in refitting the stores is causing nervousness in the City. Some analysts believe the real reason is the new format has not been as successful as hoped.

But the question preoccupying most analysts is what happens if the reforms do not improve trading, and the housing market does not pick up chain could be found, and the cost of closure - estimated at about £200m - would be prohibitive.

"I can see no solution to the problem that would satisfy both Boots and Smiths," says Mr Nick Bubb, retail analyst at Morgan Stanley.

He draws a parallel with Silo, Dixons' US electrical retailer where losses are still mounting in spite of manage ment's efforts to improve sales and neither sale nor closure is a realistic option.

At least Silo has only one owner, Do lt All, on the other hand, looks set to remain a problem child for both its par-

## **Property Trust continues** recovery with £737,000

losses of £7,95m to profits of £737,000 was announced by The Property Trust for the year to March 31.

The outcome followed a return to the black in the first half with profits of £426,000 against losses of £6.32m.

The property investment and trading group said the year had been one of "significant progress", featuring a restructuring involving a capital reduction, consolidation of

A TURNROUND from pre-tax shares, introduction to the Official List, and a fully-subscribed £2.8m rights Issue. As a result, shareholders' funds improved to £8.3m (£4.7m).

Turnover fell from £9.52m to £2.48m, but there were operating profits of £1.48m, against losses of £7.26m. There was no tax and earnings per share emerged at 5.6p (88.1p losses). The company said the new loan facilities were expected to

provide an annual interest sav-ing of about £100,000.

#### Losses deepen at Hemingway

HEMINGWAY Properties yesterday announced increased pre-tax losses for the half year to end-June, mainly due to a number of recurring items. Losses amounted to £581,000

(£332,000). Among the exceptional costs were compensation payments to two former directors amounting to £110,000. During June and July a num-

ber of transactions were completed, including the £30.2m acquisition of a properties portfolio, a £21.9m placing and open offer and the £21.8m cash disposal of Dorset House.

These transactions, the company said, would not have an impact until the second half. In addition, prior to the period end, the company dis-

Net turnover increased from £3.07m to £4.58m. Losses per share were 1,07p (0.61p).

posed of two office properties

for an aggregate £3.3m.

The directors plan to seek shareholders' approval for a reduction in the share capital to cancel the accumulated deficit on the profit and loss account to December 31 1993.

#### Polish factory for Cadbury Schweppes

Cadhury Schweppes, the confectionery and soft drinks group, is to build a chocolate

was expected to begin in 1993 with production starting in The Polish confectionery market is estimated at about

180,000 tonnes,

Poland, for £20m.

A\$11.5m Australian buy for McKechnie

McKechnie, the plastics and metal components group, has acquired Phipps International, an Australian manufacturer and distributor of aluminium security door screens and pro-

Fleming Claverhouse net assets ahead

McKechnie Pacific.

Net asset value at the Fleming Claverhouse Investment Trust was 193p at June 30, up 14 per cent on the figure of 168.6p at end-June 1992. Net revenue amounted to

£1.12m, down from £1.25m in the comparable period. Earnings worked through 2.55p (3.13p) per

Comparative figures were adjusted to reflect the change of accounting policy to recognise income from investments on an ex-dividend basis the scrip issue in March.

Dividends of 2.5p have already been announced and the directors expect to recommend a maintained total of

**Bournemouth Water** edges up

lucreased compliance costs meant that Bonrnemouth Water and West Hampshire Water, both part of Blwater, the privately owned water engineering company, turned in pre-tax profits only slightly ahead for the six months ended

The pre-tax figure at Bournemouth Water - which serves 256,000 people - came out at £2.07m, against £2.06m, on turnover of £6.07m (£5.85m). Pre-tax profits at West Hampshire Water, which serves 163,000 people, were

helped by reductions in interest payments and emerged at £584,000 (£578,000). Turnover was £4.61m (£4,25m). Bournemouth has used up lts advance corporation tax surplus, leading to an increased charge of £591,000

(£313,000). Fully diluted earnings per share came out 17 per cent lower at 115p (138p). The interim dividend is 29p. West Hampshire continued

to use its surplus ACT to arrive at a tax charge of £51,000 (£35,000). fully diluted earnings per share came out at 79p (68p). The interim dividend is

#### BRADFORD & BINGLEY BUILDING SOCIETY

UNAUDITED RESULTS FOR THE 6 MONTHS TO <u>30TH JUNE 1993</u>

<u>6 Months to 30th june</u>				
1533	1992			
£m	£m			
126.2	105.6			
33.9	30.6			
160.1	136.2			
73.0	71.6			
87. I	64.6			
28.3	25.7			
58.8	38.9			
18.7	11.9			
40.1	27.0			
	£m 126.2 33.9 160.1 73.0 87.1 28.3 58.8 18.7			

Note - Included in Interest Receivable is a deduction of £18.4M (£13M to 30.6.92.) for interest deemed to be irrecoverab "It is reasoning to see our profits being maintained at similar levels to those achieved to the second half of 1992. Our profit improvement is even more significant when viewed against the difficult trading conditions which continue in both the retail savings and lending markets.

We have been particularly pleased to see a decline in the level of arrears and possessions and I believe this trend will be sustained in the second half of the year. We have maintained our policy of saking a sympathetic yet practical view to borrowers with difficulties and I am sure that the reducing numbers of people with problems is a relief to everyone.

The housing market has not yet fully recovered, but with interest rates likely to restain at the current low levels for a significant period, we can expect a slow but steady recovery."



For further information please contact either Mr. G.R. Lister, Chief Executive, (0274 554394) or Mr. J. A.W. Smith, Finance Director, (0274 554395).

BANQUE NATIONALE BANQUE NATIONALE
DE PARIS
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Banque Nationale de Paris
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shareholders announced by the company on 17 August. 1993 the 183p per share with effect from 18 August, 1993. By: The Chese Manhattan Bank, N.A.

Landon, Principal Paying and Conversion Agent August 26, 1993



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FINANCIAL TIMES CONFERENCES

# WORLD MOBILE COMMUNICATIONS

London, 29 & 30 September 1993

The Financial Times sixth annual conference on the World Mobile Communications industry

will be held in London on 29 & 30 September 1993.

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GSM - an unqualified success for Europe?

Bridging the gap between a business and a residential

cellular telephone service. ■ Developments in high frequency cellular services, PCS, PCN & DCS 1800

Mr Seth Myrby

■ The market for LEOs

Speakers include:

Mr George Schmitt GSM Memorandum of **Understanding Group** 

Mr John C Carrington Cable & Wireless plc

Mr Bruno Lasserre Ministry of Industry, Posts, Telecommunications & Exterior Telecommunications, France

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## German farmers feel 'green' currency pinch

Deborah Hargreaves explains how the virtual collapse of the ERM has hit incomes

are calling for emer-gency action by the European Commission because are calling for emerof the threat to their prices caused by the virtual collapse of the European Community's Exchange Rate Mechanism ear-

lier this month "Any further price change are going to hit us very hard because we've already seen lower prices to farmers from reform of the CAP while we're paying more for our raw materials since our inflation rate is the highest in the EC." Mr Max Zurek, chief economist at the German farmers' union, said yesterdav.

The farmers are also protesting against the automatic changes in the "green" cur-rency rates - in line with real exchange rate fluctuations thet have applied to some currencies since the beginning of the year, but which now apply to all of them. "It makes it very difficult for farmers to plan ahead," Mr Zurek said. They have to keep revising

Mr Jochen Borcbert, Germany's agriculture minister, is

of EC farm ministers in the first week of September to discuss the green currency sys-tem through which EC price support is channeled to farmers. Mr Borchert has already visited his Dutch and French opposite numbers this week to

Calls for far-reaching reforms of the 'green' money system are unlikely to be supported by many other countries

gauge support.

EC farmers have been protected from any real drop in farm prices resulting from currency changes since the com-plex "switchover" mechanism was introduced 9 years ago at the insistence of the Germans. EC support prices to farmers are set in European currency

units, which representing a basket of currencies. The Ecu prices must be converted into countries' own currencies at an exchange rate - either fixed or floating.

The switchover mechanism

verting Ecus into "green" anism had an in-huilt inflation-Ecus, which effectively makes the Deutschemark the strongest currency in the basket.
Garman farmera have been
protected by this system from
any cut in farm prices that would follow a revaluation of

it bas kept their support

prices steady in D-Marks. But

it has also benefitted farmers

across the EC who have seen

prices 20 per cent higher than

tbey would otherwise have

The mechanism proved costly to run - it cost the EC

(£1,14bn) last year. By keeping

German prices stable and

pusbing all other prices

additional Ecu1.5bn

ary bias. The commission tried to get rid of the switchover at the eginning of the year because of the introduction of the single market, but the German farm lohby ensured that it

remained in place.

Since the switchover was

triggered by a revaluation within narrow band of the ERM - a political decision in the semi-fixed exchange rate system - it is now defunct as currencies are allowed to fluc-tuate widely. The Germans want it applied again to floating currencies, but the comthe Deutschemark in the ERM. The switchover system was mission is not keen. "The comset up to insulate German misalon has now achieved tbrough the action of the farmers from any cut in prices

> agriculture ministers last year," said Mr Zurek. However, although the switchover is now inoperative, German farmers hava not yet seen any cut in prices. What they have seen is the drop in the value of the Franc and the Danish Krone resulting in more French and Danish farm products on the German mar-ket, which in turn is pushing

finance ministers what it could

find no consensus for among

farm exports become more attractive and their own support prices rise by about 15 per cent since the UK left the ERM last September. The small devaluation for France and Denmark has pushed up support prices marginally to French and Danish farmers.

But German, Dutch and possibly Belgian farmers fear their prices will fall if the D-Mark continues strong enough to force a revaluation. That is why farmers claim

there must be swift emergency action to remove the threat of price cuts. Chancellor Helmut Kohl of Germany is expected to address the issue in talks with Mr Eduard Balladur, prime minister of France, this week. But calls for far-reaching reforms of the EC "green" money system are unlikely to

be supported by many other countries. The UK would strongly resist the return to a switchover mechanism. "German farmers may not

like it, but for the first time, they are in the same position as all other farmers in the EC,

## Finland sets out farm support shopping list for EC entry

FINLAND HAS unveiled proposals for supporting its Arctic and sub-Arctic agricul-ture within the European Community - seen as the most difficult issue in the conntry'a membership talks, reports

Reuter from Helsinki. "Unless we get aome ao-called Nordic agricultural support we cannot continue agriculture in this country," Mr Pertti Salolainen, the foreign trade minister, told a news conference here yester-

Mr Heikki Raavisto, the foreign minister, said the measures Finland would propose in the talks would cost between FM6bn and FM9bn (£693m and

£1.04bn) a year. He said Finland's goal was for the EC to contribute FM3bn to FM3.5bn a

A package of measures outlining Finland's position includes the following: FM2.970 per hectare; Livestock support of up to • Milk, beef and mutton production subsidies for the two most northern regions;

land);

 Average support of up to • Transport support for milk, meat and eggs (excluding the most southern parts of Fin-

• Animal feed support in the three most northern regions. Finland would also aim at a

12-year transition period to restructure its farming.
The government said price and support levels within the EC's common agricultural policy were not enough for Fin-land to achieve the agricul-tural policy objectives of the ķΩ. or i i

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Finland has a growing season of 180 days or less com-pared with 220-230 days in Denmark and more in southern Europe.

The package is to be sent to the EC in September to form a basis for further negotiations. The present round of talks started in February. The country aims to become a member of the community in 1995.

# Sahel's crops at mercy of airborne invaders

Defences against the locust threat remain woefully inadequate, writes Canute James

HERE ARE strong signs that another desert locust plague is about to hit Sahelian Africa, and according to a recently-published report, unless a comprehensive approach to the prob-lem is implemented the region's already struggling agriculture will be further devastated

"Events in late 1992 and early 1993 in East Africa suggested that a desert locust plague could once more he brewing, starting in the Red Sea hills of Sudan, Eritrea and Saudi Arahia," says the report by the Panos Institute of London. It refers to warnings from the Food and Agriculture Organisation that there is need for hetter quality information from surveys if the impending plague is not to be as damag-

ing as the last in 1986-1988. The painful irony for Sahelian farmers is that while drought destroys the prospects of improved agricultural production, it is also unfavourable to the breeding and proliferation of the desert locust. The report says it was the good rains of 1985 that seem to have stimulated the increased breed-

"So just when there is a year or two of improved rainfall and the prospect of better yields. the threat of locust damages THE UNITED Nations says a locust invasion of vast desert lands in Pakistan and India is a "time bomb" it is trying to prevent from exploding across the region, reports Reuter

from Islamabad. The locust outhreak could start a cycle of plague lasting several years if it is not stopped, according to a statement from the UN information office in Islamabad. It quotes a UN Food and Agriculture Organisation report as saying locusts on both sides of the India-Pakistan border threaten all agricultural production in the

requested to provide equipment and chemicals for use by the Plant Protection Department of Pakistan," it says, adding that similar assistance is being provided in India.

region. "International donors have been

"A major onthreak of desert locusts is occurring in the deserts of Sind and Punjab in Pakistan and cross-border in India," the FAO says. "After invading the area in the middle of July by flying across the Arabian Sea from Yemen and Oman, the insects now extend throughout vast areas of desert."

"Many a Sahelian farmer has suffered seeing the first crop after years of poor rains being ravaged by locusts and grassboppers.

Any attempt to deal with the problem must first come to terms with the fact that it is not only locusts, but grasshoppers, which threaten agriculture in the region. The Panos Institute points out that while locusts are notorious for their capacity for destruction, grasshoppers have no such notoriety. It argues, however, that this distinction is "false".

"Wblle grasshoppers may not have caught the imagination of chroniclers of plagues as locusts have, they too devasfact, over the last five years they have caused more damage

in the Sahel than locusts." The experience of the

increases," the report says. the fast action and flexibility needed to deal with the pests were not available, and that once the locusts were on the move the resources supplied to combat their onslaught was sometimes inappropriate and often came too late.

> he fight to reduce the locust population and to preveot a plague, or to contain them when they are on the move, is severely ham-pered by poor communications in the Sahel. It is more difficult to fly to different areas from within the region than it is to reach them from Europe, the Panos Institute says, and moving equipment, fuel and pesticides in the region is far from

"A drum of pesticide to be used in August has to be moved up country by May at the latest," It says. "This 1986-1988 plague indicated that means it has to be in the coun-

try no later than April, which in turn means heing despatched from its country of origin in January. Yet firm predictions on campaign requirements eight months

ahead are impossible." Pew Sahelian national hudgets can stand the cost of aerial surveys and efforts at locust and grasshopper control in the region are complicated by difficulties in regional co-operation, while collaboration among institutions in the region has become more difficult because of conflict between or within countries.

The report cites the case of Chad, which it says contains areas of sultable breeding ground for the desert locust that are too large to be covered hy ground surveys. In 1987 and 1988 the continuing conflict with Libya meant that aerial surveying in the north was forbidden. In October 1990. poor

relations between Chad and Sudan prevented aerial surveying of large areas on both sides of their common border. Dealing with the problem

demands the establishment of a "single comprehensive and authoritetive starting point" for all those concerned with grasshopper and locust control, the report argues. "The cost of pulling together tha relevant information is insignificant. While a number of information networks exits, the FAO remains the best forum for the exchange of ideas between scientists, administrators and decision makers."

While donor countries and institutions and Sahelian plant protection agencies are becoming increasingly aware that there is a need for new approaches, the Panos Institute warns that another plague on the scale of that of 1986-1988 could as easily build up. "Luck may not he on the Sahel's side this time," it concludes. "If technical and insti-

tutional capacities are not strengthened and if more sustainable strategies are not developed, the farmers of the Sahel will continue to be vul-

Grasshoppers and Locusts: The Plague of the Sahel. The Panos Institute 1993. London.

1169/1159

**WORLD COMMODITIES PRICES** 

1148-49 1171-72

m, 89.7% purity (S per tonn

Cash 1139-40 3 months 1181-2

Copper, Grade A (5 per tonne

## Talks fail to resolve fishing row between Iceland and Norway

By Karen Fossii in Oslo

EMERGENCY TALKS between Norway and Iceland aimed at defusing a bitter fishing row centred on cod stocks in the Barents Sea have ended with-

The purpose of the meetings was to seek agreement on the principles of management of resources with regard to the UN conference on stock management outside coastal state's economic zones and to achieve bi-lateral agreement between the two countries on fishing in the Barents Sea.

Iceland is now threatening to expand fishing operations to the Norwegian economic zone off the Arctic island of Svalbard and still refuses to acknowledge that Norway has any right to claim jurisdiction over resources in the disputed

week-old dispute involves feelanders fishing in the "loophole", a 62,400 sq km zone in the Barents Sea man-

aged jointly by Norway and Russia, where Arctic cod spawn before making their way into those two countries

Mr Johan Joergan Holst. Norway's foreign minister, failed to ohtain agreement from Mr Jon Baldvin Hannibalsson, his Icelandic counterpart, on the UN principle that the authority of the coastal state to manage marine resources outside its economic zone applies to the Norwegian-Russian Barents Sea "loop-

At a UN conference earlier this month Iceland was one of the strongest proponents of this principle hut refused to agree to it in the dispute with Norway over Barents Sea resources.

Norwegian foreign ministry officials said yesterday that the meetings, which were held on neutral ground in Stockholm and also attended by the two countries' fisheries ministers, were to have covered "only"

but that Iceland had demanded quotas from Norway for fishing in the Barents Sea.

Iceland also threatened to fish in Norway's economic zone off Svalbard, after having just a week ago asked their fisherman to avoid the area.

The Stockholm meetings ended hitterly with both country's four ministers leaving hastily without giving a promised media briefing on the outcome of the discussions. Norwegian officials said no new meetings on the dispute were planned hat that Norway would at any time welcome a reopening of the discussions. Norway refuses to yield to

Iceland's demands for fishing quotas in the Barents Sea possibly influenced by the public opinion costs this would entail in an election year - and will continue to step up surveillance of the disputed "loophole" area as long as Icelandic fisherman continue to defy its demands.

## **US sugar cut to cost Caribbeans \$19m**

By Canute James In Kingston

CARIBBEAN SUGAR exporters to the US will earn about US\$19m less from deliveries made in the 1993-1994 period, following a reduction in import quotas by the US government. Industry officials in the region say its cumulative quota for the delivery period, staring in October, is 16 per cent less, in line with an overall reduction

The region's quota will be 225,508 tonnes, with the Dominican Republic, the region's largest quota holder, supplying

243,301 lots

(Prices supplied by Amalgamated Metal Trading)

1161-2.5

Kerb close Open Interest

about three quarters. The country will earn about \$14.5m less because of the quota reduction, the officials say. Other suppliers in the region are Barbados, Beltze, Guyana, Jamaica and Trinidad and

The US pays quota holders about 20 cents a lb, and the quotas are periodically reviewed by the US Department of Agriculture to deterare needed to supplement domestic production.

US import quotas have been progressively reduced over the past decade, cutting the earnings of regional producers. The Caribbean industry relies on preferential markets such as those in the US and Europe. because world market prices are lower than the cost of production in the region's inefficient sugar sector.

in its latest annual report, the Caribbean Development Bank, based in Barbados, said that quota reductions by the US meant that the region was sugar on the world market "at prices which are substantially below the preferential prices for sales to Europe and the

#### **MARKET REPORT**

The recent grip on the London Matal Exchange COPPER market by influential traders was not so evident yesterday and prices staged a downward correction. The cash premium over three months metal also eased back from above the \$40 level it reached on Tuesday. Tha three months position closed at \$1,937.50 a tonne, shedding \$9 of Tuesday's \$33 advance, while the cash premium closed in to \$32.50 a tonne. The ZINC market continued Tuesday's late fall with the three months price dipping to \$885 a tone at one point. But it ateadied on profit-taking to end

#### **London Markets**

Crude oil (per barrel FOS)(O	ct)	+ 01 -
Dubai	\$14,74-4,86u	- 215
Brent Blend (dated)	\$16.66-6.88u	
Brent Blend (Oct)	\$18.99-7.01	-0.24
W.T.J (1 pm est)	\$18.22-8.24u	
Oil products		
(NWE prompt delivery per to	onna CIF	+ 07 -
Premium Gasaline	\$192-194	
Gas Oil	\$163-164	-2
Heavy Fuel Oil	981-63	
Naphthe.	S159-161	-2
Petroleum Argus Estimates		
Other		+ 07 -
Gold (per troy oz)	\$371.25	-2.20
Silver (per troy 02)	469.50c	-9.50
Platinum (per troy cz)	\$386 5	-1.0
Palladium (per troy oz)	S126.75	-5.5
Copper (US Producer)	91.50c	
Lead (US Producer)	34.63c	+1.13
Tin (Kusia Lumpur market)	12.20m	+0.04
Tin (New York)	222.0c	-1.5
⊒nc (US Prima Western)	Unq	
Cattle (live weight)	128.70p	-202
Sheep (live weight)	85.60p	-0.14*
Pigs (live weight)†	68.05p	-2.91
London daily sugar (raw)	\$242.5	+1.8
London daily sugar (white)	\$295.8	+0.6
Tate and Lyle export price	0272.0	+1.0
Barley (English feed)	Unq	
Matze (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	0.7413	
Rubber (Octy♥	59.50p	
Rubber (Nov)♥	60.75p	
Rubber (KL RSS No 1 Jul)	211.5m	
Coconet oil (Philippings)§	\$452.5v	
Point Oil (Malaysian)§	\$362.5u	
Copra (Philippinesis	\$289 0	
Soyabeans (US)	C196.5	
Cotton "A" Index	55.05c	
Wooltops (64's Super)	332p	

\$889 a tonne, down \$9 on tha day. TIN prices fell back to the 20-year lows ruling before the recent spike and traders said the market was just reflecting the depressed fundamental situation, which had not changed. A the London bullion market there was another attempt to push the GOLD price through support at \$370 a troy ounce just after the New York opening, but again professionals supported the market PALLADIUM's recent decline accelerated, taking the price to \$128.75 an ounce at tha

afternoon fix, the lowest since the and of Juna. **Compiled from Reuters** (S per tonne) Close

262.30 257.60 263.40 263.00 261.00 259.10 258.50 257.00 258.90 260.10 259.50 258 00 261.40 266.90 261.40 268.00 266.00 White 689 (1138) Paris- White (FFr per torine): Oct 1535,92 Dec 1521,80 \$/barrel High/Low 17.12 17.28 17.47 17.24 18.95 17.35 17.53 17.33 17.51 17.66 17.47 PE Inda 17.25

162.00 165.00 167.25 164.25 162.00 166.75 164.50 166.50 166.75 163.50 168.25 168.00

WOOL

The Australian wool market has continued to decline, with the market indicator down to 411 cents a lidogram on August 25, compared with 430 cents, a week before. The low point in April west 381 cents, a Business and buying interest remems low. There is no doubt that uncertainties on stockpile disposal policy raised by the Gamatt wool review committee have helped to check buying interest. Caution seems particularly endernt in Japan, normally a leading buyer att Australian sales.

COCOA - LCE Clase 829 818 839 632 848 842 856 852 872 868 886 879 885 880 Turnover: 14389 (18090) lots of 10 tonnes ICCO indicator prices (SDRs per tormol. Daily pric for Aug 24 827,59 (807.70) 10 day evenage for Au 25 780.55 (770.48)

COFFEE - LCE Close 1272 1250 1240 1203 1185 1173 1242 1213 1197 1192 1242 1223 1208 1192 1180 1179 r: 5130 (6362) lots of 5 tennes leater prices (US cents per pound) for p. daily 69.53 (69.29) 15 day average 60 €/tonne

Previous High/Low 75.7 88.3 75.9 87.8 76.7 75.0 88.5 88.3 Turnover 108 (72) lots of 20 tonnes. SOYAMEAL - LCE €/tonne \$10/Index point Close High/Low 1454 1460 1485 1496 1485 1468 1492 1470

1451 1438 1468 1470 1480 1513 1480 1452 1540 1520 1513 1457 Wheat Close 103.20 103.50 103.20 104.90 104.50 107.00 106.50 104.40 104.50 106.50 100.45 110.90 109.80 111.90 111.00 110.90 Close Previous 102.95 107.15

Close

Previous

87.0

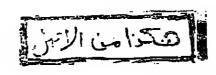
er:0 (O)lots of 3,250 kg

High/Low

Gash 1999-71 3 months 1937-8 Leed (S per tonne Cash 381.5-2.5 3 months 395.5-6.0 397/394 Nickel (S per torne) Cash 4520-30 3 months 4570-80 4604 4710/4650 Tim (S per torme) Cash 4760-5 3 months 4815-20 4785-90 4835-40 Zinc, Special High Grade (S per tonne) 874.5-5.5 888-9 874.5 Cash 3 months LME Closing E/S rate: SPOT: 1.4835 3 months: 1.4728 LONDON BULLION MARKS (Prices supplied by N M Rot Gold (tray oz) 5 price treleviupe 3 371.00-371.50 371.10-371.50 371.75 371.15 372.75-373.25 370 50-371.00 Loco Lán Me US cts equiv bypos as 474,75 478,45 482,30 481,50 GOLD COINS \$ price 371.00-374.00 381.75-384.15 87.50-90.50 247.00-250.00 TRADED OPTION Strike price S tonne Oct Jan Oct Jan 35 54 75 Cats 69 64 45 62 69 118 1150 1200 1250 Mar Mar 123 100 69 725 750 775 21 28 37 21 43

Total daily turnover 45,805 lots 380,5-1.0 394-4.5 24,758 lots Total daily turnover 5,493 lots 4645-50 45,347 lots Total daily turnover 2,721 total 10,905 lots Total delly turnover 20,347 lots 79,328 lots 0 months: 1.4599 **New York** GOLD 150 troy oz.: S/troy oz. 373.0 370.6 374.3 378.1 378.3 379.2 0 PLATINUM 50 tray az S/tray az 387.3 387.3 387.9 388.3 388.6 388.3 388.4 380.1 380.3 381.0 SILVER 5,000 troy as; cents/troy az. Close ous High/Low 473.0 473.3 474.8 477.9 478.3 482.7 486.1 489.3 492.8 498.1 85.80 86.50 65.90 0 96.60 85.46 85.05 86.16 85.20 86.26 85.35 85.45 85.65 86.70 86.25 0 86.80

HEATING OIL 42,000 US galls, cents/US galls Chicago Letest Previous High/Low 52.20 53.30 64.35 670/0 671/0 677/0 662/0 662/6 684/6 678/6 848/0 54.20 55.15 55.86 56.30 56.95 54.40 667/4 673/4 673/4 679/0 680/4 677/0 646/4 671/4 677/2 662/6 683/2 685/0 681/0 647/0 55.96 54.80 SOYABEAN OFL 80,000 lbs; parits/lb COCOA 10 tonnes/\$/tonnes 23.45 23.60 23.84 23.93 24.07 24.11 24.11 28.95 Close Previous High/Low 23.52 23.67 23.83 24.03 24.15 24.20 24.20 24.08 23.50 23.71 23.63 23.90 23.98 23.95 23.85 1008 1059 1006 1058 1090 1109 1129 1150 1178 1201 1221 975 1027 1084 1090 1112 1126 1160 1175 1083 1113 1133 1154 1182 1205 1225 Sep Dec Mer May 1165 1169 1164 SOYABEAN MEAL 100 tone; \$/ton Close 213.9 212.4 212.5 212.8 212.7 212.5 212.9 210.3 Sep Oct Dec Jan Mar May Jul Aug 213.0 213.1 213.2 213.0 212.0 211.3 211.9 211.9 211.9 212.1 210.0 76.50 79.05 81.30 82.30 83.80 85.20 88.65 75.25 77.70 79.70 81.00 213.2 218.2 210.5 82.20 83.90 87.50 Hohila 237/2 244/2 252/0 256/6 259/0 250/4 242/4 SUGAR WORLD "11" 112,000 En; certs/bs 23840 244/6 252/4 257/2 259/6 251/0 244/0 238/4 243/0 25C/6 256/2 258/2 249/8 242/4 Close Previous High/Low 9.17 9.43 9.60 8.64 9.87 Oct Mer May Jul Oct High/Los COTTON 50,000 lbs; cents/lbs 309/2 316/0 316/2 312/4 301/2 305/2 312/0 310/0 317/0 319/0 313/0 302/0 0 Dec Mar May Jul Sep Dec High/Low 60.50 68.54 58.10 58.77 59.47 69.85 59.65 57.48 58.54 59.85 80.50 81.25 59.68 60.50 59.70 56.70 58.15 58.80 59.55 69.89 59.50 57.00 61.22 60.50 60.50 LIVE CATTLE 40,000 the; cents/fbs Close Oct Dec Feb Apx Jun Ang Oct 73.750 74.675 75.300 76.400 73.225 72.100 72.300 79.725 74.625 75.225 76.375 73.225 72.100 72.300 ORANGE JURGE 15,000 lbs; cents/bs 123.00 126.10 127.46 128.45 129.95 129.85 129.30 123.00 126.20 127.80 129.50 129.00 128.00 123.75 125.26 126.76 127.65 127.60 125.90 125.90 123.10 125.00 126.60 129.00 127.50 128.50 LIVE HOGS 40,000 ft; cents/ft Close 45.425 45.650 45.300 44.150 49.078 48.000 46.750 46.000 45.950 45.375 44.125 0 48.200 48.800 45.125 46.250 44.750 43.860 48.860 47.800 46.725 RELITERS (Bess:September 18 1931 = 100) Aug 25 Aug 24 mnth ago yr ago Class DOW JONES (Bess: Dec. 31 1974 = 100) 48,775 48,375 49,400 50,400 43,700 Aug 24 Aug 23 minth ago .yr ago



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#### LONDON STOCK EXCHANGE

# Footsie at peak as US buyers return

By Terry Byland, UK Stock Market Editor

LONDON stocks were quick to follow the lead from across the Atlantic yesterday and, encouraged also by optimism in Ger-many ahead of this morning's meeting at the Bundesbank, the FT-SE 100 index rose nearly 30 points to a new clos-

ing peak of 3,079.2. US buyers appeared again in strength towards the London close, when Wall Street was extending its move into record territory and the US dollar was moving higher. They picked up shares in the leading oil and pharmaceutical companies, as well as, more selectively, across the broader range of the London market.

Impressed by predictions from leading hanking economists in Germany that the Bundesbank will cut its key discount rate today, UK analysts sounded more confident on the timing of rate cuts in Europe. The mood in London was summed up by one leading strategist who commented vesterday: "If they (the Bundesbank) do not act today, they will sooner or later, so the timing is not so compellingly

Dealers stressed that the chief impetus behind the renewed advance in equities the US buyers who helped drive the Footsie above the

Heavy sales of mutual funds in the US, with particular success for funds aimed at investment in the UK and other European stock markets, have underpinned confidence that US investors are returning to equity

investment in strength.
The FT-SE Mid 250 Index also rose to a new peak yesterday, gaining 21.4 to 3,495.6. The strong rise in the UK stock

Forms Foreign & Cel. LT.
Forter Gen Accident General Sect. F Glanot General Sect. F Glanot Glanot Graned Int.

market's two most widsly quoted measuring rods was also underlined by high trading volume in equiries, with non-Footsie stocks making up around 58 per cent of the day's Seaq total of 731.8m shares. On Tuesday. Seaq volume of 539.4m shares represented £1.25bn in retail, or customer. business, a return to the average daily totals established

over the past twelve months.

TRADING VOLUME IN MAJOR STOCKS

Equities opened higher on the back of Wall Street's move overnight to an all-time peak and found additional encouragement from increased activity in the derivatives market. At the day's best, the Footsie reached 3,081.8, within 8 points of the intra day peak reached on Aug 19. Marketmakers again found themselves very short of stock because fund managers instantly cancelled

any selling orders previously placed with stockbrokers. "You dare not sell anything on a day like this because it will cost you dear to try and buy it back an bour later," said one dealer. Pressures were particularly harsh in the oil share sector which bore the full weight of US buying and dollar

Equity market market confi-dence brushed aside the widely-expected rights issue from MB-Caradon, which cams in at £334m, and also a £500m Eurosterling bond from BT.

Dealers ascribed the renewed advance in the market to a ish arguments which have driven UK stocks ahead since the beginning of the month; a perception of low inflation, fall-ing interest rates and a recovery, albeit slow, in the domes-

tic economy. On this basis, London will pay close attention to Wall Street's performance overnight as well as to the outcome of today's meeting of the Bundesbank policy council.

Account Dealing Dates					
*First Dealings: Aug 18	Sep 6	Sep 20			
Option Declaration Sep 2	Sep 18	Sep 30			
Lest Dealings: Sep 3	Sep 17	Oct 1			
Account Des	Sep 27	Oct 11			

## Oil issues extend

recovery AN OIL sector that has doggedly underperformed the market in the past month built convincingly on Tuesday's better performance as Wall Street continued to more to record

Sizeable US buying overnight filtered through into London at the outset of trading vesterday, driving share prices sharply higher as marketmakers, already keenly aware of a growing stock shortage in London, began to chase stock prices higher in an attempt to

cut their trading positions. This only exacerbated a situation which increasingly difficult in the afternoon session when one of the US investment banks was seen aggressively hidding for stock in the oil

Talk of events in Nigeria a ssibly driving oil prices higher were ignored by London oil sector specialists who said the upsurge in share prices was down to three reasons; a stock shortage; the strength of the dollar: and Wall Street's latest move to record levels. There was no real boost to share prices from oil prices which were barely changed on the day.

BP surged higher in the wake of the aggressive US buying, closing 12% higher at 317%p with turnover expanding to a good 9.9m shares. Shell

#### **NEW HIGHS AND LOWS FOR 1993**

NEW HIGHE (2018).
BRATISH FLRROW R) E.C. 12pc '98, Cv. 101-pc '99, Cv. 9pc '00, Tr. 44ppc II, '98, Tr. 2pp II. '89, Tr. 2pp III. '89, Tr. 2pp III.

moved up 11 to 6711/p on 4.lm

#### Deal welcomed

The market was cheered by confirmation that building products and printing company MB-Caradon is to acquire RTZ's building and electrical subsidiary Pillar, in a much heralded £800m deal.

As widely predicted, the acquisition is to be partly funded by a one-for-four rights issue at 260p, to raise £334m, with the rest of the payment coming from Caradon's existing cash pile. Market watchers have been

waiting to see how the proceeds of last April's sell of Caradon's 25.3 per cent stake in CarnaudMetalbox would be used, with many urging the company to buy a lot of sales cheaply. Researchers of the sector said the deal meets that requirement and the shares jumped 32 to 341p, at the day's peak in hectic trading before surrendering some of the earlier gains in profit-taking. They finished a net 24 ahead at 336p. with volume reaching 6 8m. more than double the daily

Having released humper interim figures at the same time, analysts tinkered with full year estimates for 1993 but moved to sharply upgrade 1994 profit forecasts substantially. Mr Howard Seymour at BZW raised his forecast by £70m to 210m. and predicted earnings per share would rise from a previous estimate of 16.7p to

Shares in international mining and metals group RTZ jumped 10 to 712p, in trade of

#### Drugs active

The rehabilitation of the UK drugs sector, which began in earnest a couple of weeks ago when a burst of US buying triggered a general re-rating of the sector, continued yesterday and was again driven by US

London marketmakers were said to have been caught short of the front line stocks such as Glaxo, Wellcome and Zeneca, all of which performed strongly. Zeneca, first traded around 592p in May this year, following its demergar from ICI, jumped 15 to a record 712p on 2.4m traded. Glaxo put on 51/4 to 583p and Wellcome 12 to

756p.
The BZW profits upgrade continued to bolster ICI which moved up 6 to 696p.

Hickson International was a rare weak spot in the chemi-cals area, the shares losing 13 to 171p after the 17 per cent profits fall and a disappointing accompanying statement. US activity provided the

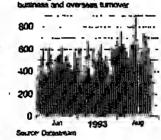
lion's share of turnover in Vodafone where a block of 7.5m shares traded at 561p, simultaneously with a block of 750,000 ADRs traded at \$84.89. The two classes of BT made modest progress after the

£500m eurosterling bond. BT "old" edged up 2% to 425p and the partly paid 3 to 183p.
There was no let up in the

#### FT-A All-Share index



**Equity Shares Traded** Turnover by volume (militari) Excluding: httra-market business and oversess turno



demand for Barclays Bank which has followed the appointment of Mr Martin Taylor as the bank's new chief executive as from next January. Turnover in Barclays topped 8m shares with the stock price surging ahead to close a further 10 up at a record 515p. Lloyds Bank also attracted sustained institutional support, ending a busy session 9 to the good at 548p. NatWest added 5 at 495p and

Standard Chartered 13 at 938p. The composite insurance sector was much calmer with Gnardian Royal 4 firmer at 214p ahead of interim results expected this morning. Lowndes Lambert was the pick of the insurance brokers, moving up 12 to 443p on talk of a

broker buy note. A broker buy recommendation was said to have lifted National Power 81/2 to 3651/sp. PowerGen added 914 to 392%p. The exploration and produc-tion sub-sector made further strong progress led up by Enterprise Oil which climbed 12 more to 448p, on above-average turnover of 3m shares. with the Kleinwort and Lebman buy recommendations issued earlier this week followed by a switch from Lasmo recommendation from another

of the leading UK brokers. Nevertheless, Lasmo continued to push ahead, the shares touching 146p before settling a

#### further 3 higher at 145p. Turnover came out at 5.6m, main-taining the heavy activity seen in the stock over the past few

high of 164p following recent broker buy recommendations. Calor, another broker favourite this week, put on 5 more to A broker's visit to Asda

boosted turnover to 20m and the shares firmed 1% to 66%p. Turnover in Tate & Lyle jumped to 10m after two agency crosses. The shares eased a penny to 393p. Dalgety jumped 20 to 518p, on talk of a strong recommendation from Strauss Turnbull.

The strong trend in both the UK and French stock markets gave a push to the recovery of Euro Disney and the shares gained another 20 to 665p. Channel tunnel operator Euro-tunnel was also helped by the same sentiment, the shares finishing 13 up at 466p.

A buy recommendation from its broker Credit Lyonnais Laing ahead of results next Tuesday, saw Bellwinch close 6 ahead at 40p Shares in high street retailer

W.H.Smith surged forward after the company reported final year figures at the top end of expectations and also raised the dividend payment. The "A" shares jumped 16 to 471p, as 4.1m shares were traded. Mr Tony Shiret at BZW was among brokers who upgraded current year esti-

mates, raising his forecast by £5 to £122m. WH Smith's good showing helped sentiment in Boots, and the shares put on 6 to 486p. Profit-taking was blamed for the decline in Kingfisher where the shares gave up 9 to

Reports of "sell" advice from UBS left shares in Ladbroke trailing 3 to 203p. Rentokil Group were in demand ahead of today's interim figures.

The shares firmed 4 to 210p. A positive recommendation from Kleinwort was said to have continued boosting Incbcape, the shares moving 13 ahead to 567p.

The "light" end of the build-

ing materials sector provided a firm feature in Wolseley which jumped 10 more to 654p. still boosted by a series of recent huy recommendations from building analysts, notably from

#### FINANCIAL TIMES EQUITY INDICES

Ord. div.		2394.					7394.5 3.86	1678.2 5.33	2408.1 4.52	21247
	WE % 24						4.55	7.74	638	4.53
P/E rette		28.0					28.08	16.53	25.15	19.40
P/E rate		25.90	25.0				25.93	15.20	26.01	18.14
Bold Mile	<b>es</b>	197,0	199	.0 197			201.5	78.7	243.2	80.0
ong eiter	MARK SAN	# 1777S	Gold N	thes 12/9	755.					
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Ordinary Open	Stare bo 9.00	orly cha 16.00	11.00	12.00	13.00	14.90	15.00	16.00	High	Low
Орен		10.00			13.00 2390.0			16.00 2393.1		_
<b>Opes</b> 2381.3	9.00	16.00 2382.4	11-00			2394.1			Z396.1	
Open 2381.3 foliance	9.00 2387.4	18.00 2382.4	11.00 2354.6	2388.2	2390.0	2394.1 23	2394.7	2393,1	2396.1 19 1	2381,0
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#### **EQUITY FUTURES AND OPTIONS TRADING**

BUSINESS in the UK derivatives area increased smartly yesterday as markets respon-ded to predictions from German economists of a cut in the Bundesbank's discount rate today, writes Terry Byland.

tract on the FT-SE 100 re-established a good premium of around 10 points against cash, trading at 3,097 at best. At the

And the second s

close the contract stood at 3,080, a premium of 9 against cash and about 3 above estimated fair value - the quotation on the contract which allows for carrying costs and dividend payments on the underlying stocks. However, interest cooled off after the Bundesbank said it planned no

press conference for today.

More significantly, volume

increased to 10,488 lots in the September contract, compared with under 6,000 on Tuesday and below 7,000 on Monday. The picture was the same in traded options, where volume jumped to 37,622 contracts from Tuesday's 22,382. Both the FT-SE 100 option (8,442)

and the Euro FT-SE option

(2,919) saw increased interest.

options, oils were active, with Lasmo (2,390) still very husy as the underlying stock continued to trade heavily on hints of a shake-np in the industry. But the most active spot was taken by Amstrad. the consumer electronics company, with 2,510 contracts dealt. Glaxo, the subject of US interest again, had 1,842 Among tndtvidnal stock

Mr Lawrence Ambolt at Carr said "in a highly rated sector, Wolseley represents good value particularly when compared with other distributors, none of Hardy Oll added 61/2 to a 1993 which have Wolseley's track record, nor, we would argue its prospects or management

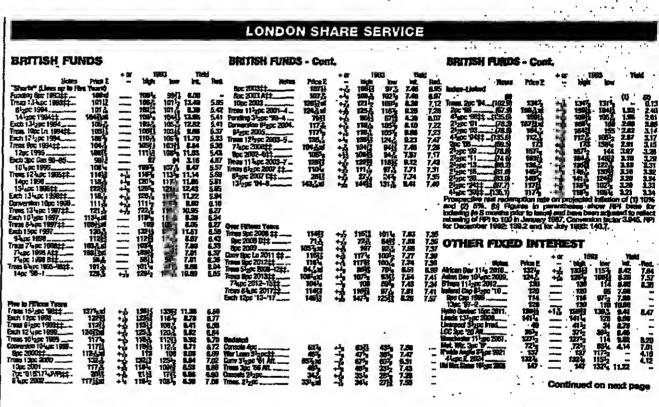
> Pilkington came in for sustained buying interest, the ordinary shares moving up 4 to 159p and the warrants 21/4 to 561/2D.

Among housebuilders, Barratt jumped 5 to 161p. Wilson Bowden 11 to 439p, Wilson Connolly 8 to 192p, and Alfred McAlpine, scheduled to report interims today, 8 better at

MARKET REPORTERS: Steve Thompson. Joel Kibazo.

#### FT-A ALL-SHARE FT-SE 100 FT-SE MID. 250 1527-58 +13.14 3079.2 +29.9 3495,6 +21,4 200 86.57 1113.79 3042.0 3487.4 3479.5 1524.9 1759.97 3057.6 3482.4 3483.6 1532.4 5.60 5.53 5.91 5.58 3.90 4.31 2255.0 2194.6 3.73 FT-6E 100 FT-9E 104 259 3049.3 3474.2 +1.0 +0.6 +0.8 +0.9 +0.4 +0.4 +0.9 63.78 1252.84 65.63 1252.52 3.45 3.56 3.67 3.17 3.35 3.64 22.37 21.10 22.19 35.56 33.18 22.72 FT-52 Mid 250 ex ler FT-65-A 350 2207.5 37-15 1142-58 29-00 1323-57 30-14 :375-00 1379.57 :375.00 1152.03 FT-SE SmellCap FT-SE SmellCap ux 1771,60 1763.76 1760.71 1757.66 1514.44 1753.16 1510.96 1765.31 1761.84 21.87 1284 21.58 1367.56 21.58 1440.08 34,34 42,93 CAPITAL 6000921 1165.23 Building Materials() Contracting, Const 1183.21 +1.3 1168.33 1163.04 1041.85 3033.24 2931.10 453.84 836.50 547.70 1244 85 1293 85 3079,71 +0.8 +0.8 1876.61 1567.26 292.82 21.51 632.78 464.61 460.89 B28.85 630.89 462.72 458.75 457.21 458.57 469.34 462.63 2251.41 2240.16 2248.68 1467.62 259.51 286.75 2,36 4,74 4,00 Metals & Metal Forming! 33.97 10.47 1264.16 51.39 1165.80 30.47 1011 54 1728.24 2037.04 1879.54 3.31 +0.7 1729.92 1737.58 1446.37 3.58 3.66 3.08 3.49 4,12 2020.36 1382.07 22 Brewers and (Stitlers 25 Food Manufacturing(2) 28 Food Retailing(17) 27 Health & Hossefold(3) 29 Hotels and Leistro(18) 2021,11 +1.2 28.07 1071.68 7.03 8.45 1368.84 3056.62 3528.41 1432.00 2125.96 1377.39 3091.21 3126.34 3503.29 3514.56 2596.39 3648.63 958.60 3490,74 1423,61 1155.73 1424.58 1438.80 25.45 23.46 22.14 30 Medic(3) 21 Packaging and Paper(34) 34 Stores(39) 35 Tedles(20) 1380.63 2.48 3.20 2.86 3.67 4.76 5.25 S.55 1.78 2121.59 2116.01 2111.27 839.25 895.14 1258.73 1268.51 916.64 628.31 827.08 554.93 15.55 1135.83 833.30 +0.6 827.96 38.87 1152.63 21.86 1139.21 6.91 6.87 0.29 6.85 17.50 16.62 1597.81 1608.18 1174.58 1682.22 1663.46 1193.49 1567.14 1571.00 1249.73 4.00 2.59 4.19 4.85 1589.82 1687.74 40 CTUER CROUPS(141) 1612.86 +0.0 Business Sens Chemicals(23) 43.83 1135.50 35.26 1161.06 56.31 1180.79 1536.32 1548.20 1096.97 3160.53 3172.82 2133.28 1545.18 25.79 10.65 3196.66 3172.25 81.43 1271.45 34.68 1144.75 1894.21 1875.82 1898.84 1904.79 1875.20 1897.92 1358.86 1358.83 11.67 5.54 11.38 4.10 3.59 4.86 9.30 15.21 106.71 1161.01 76.80 1044.98 3630.56 2487.17 Marie (13) 3657.92 3654.45 2963,70 20.19 21.29 31.30 1105.92 6.06 5.89 40 MEDUSTRIAL ERGUPTOS 1538.78 1637.97 1545.18 1169.75 3.61 4.89 51 OR & Ban(18) +2.0 2583.43 2685.01 1785.40 6.04 +0.9 1635.33 1631.90 1638.84 1228.65 3.66 59 "SOO" SHARE MODERAGE 1850.02 27.35 1340.16 45.78 RE PHANCEN CROUPERS 3.26 1138.39 +0.8 1129.61 1125.61 - 1132.98 637.62 3.75 34.22 26.88 39.85 1329.80 1536.94 1519.99 1507.90 · 1519.70 864.91 3.48 4.35 4.03 65 Insurance (Life)(5) 2052.50 2040.10 1321.06 717.69 952.90 731,39 947,14 722.87 428.07 67 Insurance Brokers(10) 954.61 539.53 412 945,77 2.85 3.97 3.33 2.44 398.71 497.74 5.72 3.93 4.33 1.94 21.69 33.53 +0.2 794.91 796.20 801.01 13.82 1820.22 1613.82 1009.28 1015.94 1024.40 454.85 1677.77 458.15 1685.70 216.32 1028.04 27 96 51.67 455.33 454.82 1534.92 24.21 1674.92 71 Investment Trusts(110) 1696.77 +0.3 31.43 1152.09 1616.96 3.64 5.48 22.72 1527.58 1514.44 1518.01 1087.44 99 FT-A ALL-SHARESOO +0.9 Hourty movements 11.00 18.10 3081.0 3495.7 1542.8 3071.0 3488.6 1538.2 3077.6 3490.9 1540.8 3079.6 3492.1 1541.8 3039.7 3492.8 1542.0 3079.2 3494,4 1542,6 FC-SE 100 3058.6 3058.3 3060.3 3067.2 3058.5 3483.8 1535.9 3479.5 1532.5 FT-SE-A SED Time of FT-SE 100 blgfc 2:41pm love FT-SE Actuaries 350 Industry Baskets Previous class 13.00 2013.0 1050.8 1508.3 2017.4 1060.4 1506.1 2017,4 1085.0 2015.9 · 1065.1 2020.2 1083.5 2021,5 1083.1 2023.6 1082.6 2012.0 2010.1

FT-SE Actuaries Share Indices



#### CROSSWORD

No.8,238 Set by ADAMANT

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1 Royal Exchange's hint of 1 Record a certain range of recovery (5)

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2 Used to make a yarn about mover (8) 10 Give authorisation to hold raids of the men of tha

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the blood curdle (6)
23 Capital paper, the Indapendent, formerly provided financial listing (5,5)
25 Responsibility is nothing to

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27 It takes river, such as the
Tyne, to be chemically inactive (5)
28 Italian within sixth
29 Sense's parameters (6)
20 The district will include new sportsground (5) 28 Disparaging the type of cod found round German city 29 The normal procedure is to

put up with a retired doctor 30 Shell's growth has price earnings ratio over tuna (6)

Armada (9) Poisonous tree from state in America (4)

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11 Search for two plnt container of dublous use (5)

12 Leaders of society and industry like to go with the prevailing wind (4)

13 Bonus shares distributed from ICTs purses (5.5)

15 Royal Navy reads about the commissions (7)

16 It used to have value in an African republic (6)

19 Declare raturn on tax exampt scheme is about right (6)

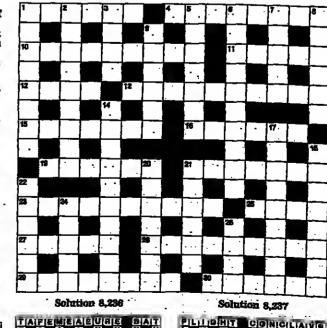
21 That fool, Edward, made the blood curdle (6)

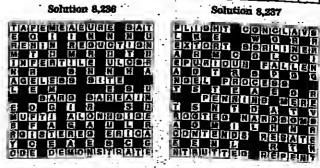
22 Capital paper, the Indapendent, formerly provided

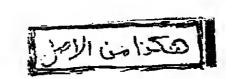
batting line-up (6)
22 Makes unexpected discov-sry that is within sixth

JOTTER PAD

As the result of a produc-tion error the Crossword was omitted from some copies of yesterday's paper. We apologise for the error. The solution to Puzzle 8,236 in minuted here. is printed here.







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MONEY MARKET FUNDS

#### **FOREIGN EXCHANGES**

# DM weaker on inflation news

against most European curreucies and the US dollar yesterday after data from several Cerman states suggested that the country's August tutlation figure would be flat, writes James Blitz.

Coming the day before the Bundeshank council meeting, the hetter than expected inflatioo data were ocunu to depress the D-Mark, Expectations were already high for a 4 of a percentage point cut in the discount rate, currently at 6.75 per cent. Yesterday, some analysts were talking of a 1- perceotage point cut with infla-tion looking as though it would fall on an annuatised basis in August from 4.3 per cent to 4.1 per cent.

The major winners from the inflation news were the French franc and the Danish knobe. with a dealer at one of the leading London counterparties saying he had seeu very strong selling of the "Mark Paris" cross rate. The French currency closed at FFra 472 from a previous close of FF13.481. The Danish krone closed at around DKr4.085 having been at DKr4.11 at the start of the day.

The dollar also gained nearly a pfennig against the II-Mark in the wake of the German

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#### inflation news, closing at DM1.6880. This was despite a sharper-than-expected drop in July's Durable Goods Orders hy 3.8 per cent, the fourth monthly decline in the past

five months.

Sterling fell hack 11: pfennigs against the D-Mark, amid signs that investors were sell-ing UK government bouds. The currency closed at DM2.5025. Rumours that the Danish authorities were selling sterling to huy Danish krone also helped to depress the British currency.

The most surprising move among European currencies yesterday was in the Belgian franc which dropped sharply vesterday against the D-Mark, from BFr21.02 to around BFr21.16. It later closed at

BFr21.12. The main trigger for the move was a report that 14 Flemish economists had said that continuing to tie the Bel-gian franc to the D-Mark would

ment prospects and was no longer an acceptable option.

CURRENCIES, MONEY AND CAPITAL MARKETS

The Belgian central hank leapt to the currency's defence, saying that policy would he unchanged. But Mr Mark Austin, treasury economist at Mid-land Global Markets, said it was striking that the Belgian currency had suffered so badly on a day when most of Europe had performed well against the

The yen continued to weaken against the dollar, a process helped by extremely heavy intervention from the Bank of Japan at the Y104.00 level. Some dealers said they had not been expecting inter-vention until the currency got to Y103.00. In London. the dollar closed at Y104.90 from a previous Y103.70. There was a growing feeling among dealers that the currency might oot break through the Y100 level for some time. if at all.

	Ecu Central Rates	Currentry Amounts Against Ecu Aug 25	<ul> <li>Change from Central Rate</li> </ul>	<ul> <li>Spread</li> <li>Vieskest</li> <li>Currency</li> </ul>	Divergence indicator:
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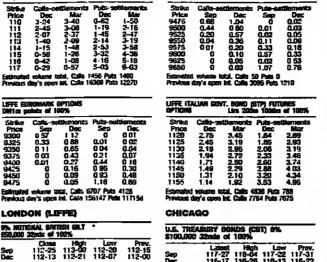
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**EXCHANGE CROSS BATES** 

#### FINANCIAL FUTURES AND OPTIONS LIFFE LONG COLT PUTURES OPTIONS 250,000 648% of 100% LIFFE EIRO SWISS FRANC OPTIONS SFR 144 polots of 100%



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Latest High Low Prev. 0.6730 0.6779 0.6723 0.6780 0.6706 0.6750 0.6701 0.6758 0.6747 0.6747

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

Estimated volume 39,589 † Total Oper

CAC-40 PUTURES (MATIF) Stock Index

ECU BOND (MATIF)

August 2148.0 2162.0 +26.0 2197.0 Santember 2162.0 2175.5 426.5 2180.0 Coliber 2173.5 2188.5 +26.0 2179.0 Ecompter 2199.0 2209.5 +27.0 2209.0 Ecompted volume 42,901. † Total Open Inferest 87,845

September 117,60 117,96 +0.42 118.00 Extrated volume 4,044 † Total Open Interest 12,044

Low Prev. 1.4750 1.4962 1.4650 1.4870 - 1.4804

DM290,	Clase	High	Lever	Prev
C	67.54	97 57		87.16
Sep				
Dec	97.66 ted volume			97.26
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<b>6% NO</b> T		UM TÉRIN	RETIKAN (	OVT.
<b>6% NO</b> T	HONAL MEDI BOBL) DM256 Close	UM TERM 8,009 100: High	GERMAN ( ts of 190*	Prev.
6% NOT 80%0 ( Sep	HONAL MEDI BOBL) DM256 Close	UM TERM. 0,008 100:	GERMAN ( ts of 190*	Prev.
6%, MOT 80MD ( Sep	Close 100.62	UM TEAM 8,009 100s High 100.63	GERMAN ( ts of 190*	Prev.
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OCHED I	"100m 1008	9 of 100%		
	Close	High	Lon	
Sep	111.23	111.30	111.20	
Dec	110.55	110 68	110.45	
Estimat Traded	ed volume exclusively	2965 (16 on APT	53-9	
12% 80	TTONAL ITA	MR COVE	. ACMO de	· (5)
URA 20	Out 1000ha			
URA 24	Out 100ths Close	of 190% Hisch	Low	Prev.
URA 24	Close 113.40	of 190% High 113.53	Low 112.42	Prev. 112.34
	Close 113.40	of 190% High 113.53	Low	Prev. 112.34

10% 40	TOWAL SPAN 1000s of 1	HSH COVT		
Sep N	Close 105.00	High	Low	Pre 194 0
Estimate Previous	day's oper	0 (O) N Mt 11	111)	
	CONTH STERI			

	Close	High	Lora	Frage
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ec	94.59	94 61	94.57	94 57
ar	94 71	94.72	94 68	94 70
li li	94.59	94 63	94 59	94.63
CEDI	94.41	94.42	94.41	94 42
L Vol	tinc. ligs day's ope	not show	my 15686	(24624)
EVIOLE	day's apa	not show on last, 36 00LLAR	my 15686	(24624)
evicus REE A	day's ope lown by the lown of 100%	not show on last, 36 000LLAR	m 15686 5895 (36	(24624) 80761 Prev.
ENEE &	day's operated the control of the co	not show on last, 36 MOULAR High 96.75	my 15686 5895 (36 Low 96,74	(24624) 3076) Prev. 96.73
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EVIOLE	day's operated the control of the co	not show on last, 36 MOULAR High 96.75	my 15686 5895 (36 Low 96,74	(24624) 3076) Prev. 96.73

THREE MONTH EUROMARK *										
	Close	High	Li.ir	Prus.						
SLA	93 57	93.58	23 53	93 54						
Dec	94.11	94 13	94.03	94 03						
Mar	94 58	94 60	9153	94 53						
Jun	94,78	94 80	94 73	94 73						
Sen	94 86	94 87	94 62	94,21						
Province	ed voluma a stay's ope	106666 ( 91 art 66	3057d: 7303 - 667	34591						

THREE	HONTH ECH				ECH BUNN	(MAIA-)		
ECU 1a	points of 1	00%			September	117,60		0 42 1 18.
	Close	Hit	Loa	Pres.	Extrated vo	AUD'10 4,044 †	Total Open Inter	nest 12,044
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LIGAGO	a certa a cele	COL HAFE OF	900 132.	1301	121	1.94		-
THREE S	MONTH EURO	Starke P	DAMC.		122	0 95	1.45	•
	points of 1				123	0.75	0.97	•
	بورنان	High	LEW	Prev.	124		0.59	
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Mar	96.00	96.02	95 99	95 98	† All Yield &	Open Interest	librues see for	the previous o

	OCKI Poppe BONTH ENRIC		RATE	
	Clase	High	Law	Pt
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Dac	92.02	92.03	91 96	91.
Mar	92.49	92 51	62.46	92.4
Jun	92.6B	92.69	92.65	92
Previous FT-SE 11	oo Madex oo	en int 8	384) 5338 (850	1141

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FT FOREIGN	EXCHANGE	BATES		
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#### **BASE LENDING RATES** Mount Banking ....

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Affect Trust Bank 6
AlB Bank 6
OHenry Ansbacher 6
B & C Merchant Bank 13
Bank of Baroda 6
Banco Bibao Vizoaya 6
Blank of Cyprus 6
Bank of Ireland
Bank of India 6
Bank of Scotland6
Bardays Bank 6
Brit Bk of Mid East 8
GBrown Shipley6
CL Bank Nederland6

City Merchants Bank ..... 6 Clydesdale Bank ..... 6 The Co-operative Bank ....

Duncan Lawrie ... ..... 6 Equatorial Bank pic ..... 6 Exeter Bank Limited ......7 Financial & Gen Bank ....7 effobert Fleming & Co ....6 Girobank ...... Habit Bank AG Zunch ... 6 OHambros Bank ............ 6 Heritable & Gen Inv Bk. 6 

Nykredi Montgege Brik 6.5 Office Brothers ... Rodunghe Bank Ltd ... 6 \* (In administration) Ployal Bk of Scotland ....6 OSmen & Williamsa Secs . 6 TSB ......6

CUnited Elk of Kuwait .... 6

Members of British

# Trust Funds

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**Money Market** 

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Brown Shipley & Co Ltd.	20n EC2 071-606 963
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Open 8tt 157,579 60,578 12,183

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#### CAL Futures Ltd 162 Queen Victoria Street London EC4V 4BS Tel: 071-329 3030 FX and GOLD 24 HR DEALING MEMBER SFA Call now for further information Fax: 071-329 3918

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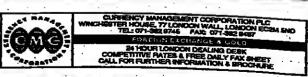
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#### MONEY MARKETS

## New hopes on rates

EXPECTATIONS that the its weekly tender yesterday, but that only DM90.3bn were count rate at today's council meeting strengthened vesterday after the tatest Germon inflation data were lower than the market had expected. writes James Blitz.

The market appears to expect that the discount rate will be cut by 's a percentage point today, trom its current level of 6.75 per cent. However. there were fewer expectations that the central bank would call for a cut in the repribate at next week's mone; market ten-der, preterring to keep in at around 0.00 per cent for 14 lag

#### UK clearing bank base lenoing rate 6 per cent trom January 26, 1993

Expectations of a cut in the discount rate thoor were strengthened by inflation figures for most of the German. states which suggested that annualised admiret will be s' 41 per cent in August, dever

from 4.3 per cent in har. This news neighbor to the sentiment in the German trais and futures markets. The and futures and fair. The Bundeshark with probabil heed the fact that 5 year burns alsu rallieo on one are

closing up about 40 ticks. accepted by the Bundesbank in swiftly despatched.

added. This was some DM10bn below expectations. Mr Adrian James, an economist at Natwest Murkets, said this suggested that hanks were holding hack on hids, expecting easier horrowing conditions through a cheaper

discount window. The low level of bios left dealers scrambling for funds at one stage, and call money was as oigh as 7.0 per cent.

Euromark futures were up on the inflation news. miss. The December contract The up 7 basis points at 94.10.

Botter sentiment in Germany fed through to the French sector, where Pibor contracts ware also higher. September cicsed up 5 basis points at 93.20 and December was up 6 at \$4.53. French policy cootinues to give the impression that races will only be cut if the Bundesbank eases first.

Statiling markets were mostly unaffected by the news in Burope, although the September short sterling engineer closed up 2 basis prints at 3-13. Three month sterling anah was again anchanged at 5% per cent on the bid side, there was a daily It was striking that loo per shortage of £600m in the cent of bids for funds were discount market which was

FT LONDON INTERBANK FIXING (11.00 a.m. Arg 25) 3 mentila (IS dollars 6 months US Dollars trid 31g | offer 34g Hd 5/3

The fibing rates are the utilizentic mean; rounded to the nearest one-sisteenth, of the bid and offered rates for SYUm quoted to the market by five reference banks at 11,00 a.m. each working day. The banks are Retired Westminster Bank, Bank of Tokyo, Doutsche Bank, Banque National de Paris and Norgan Essranity Trust.

MANEY DATES

NEW YORK			Treasury	Bills and B	onds	
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Aug 25	Overnight	One Month	Two Months	Thran enino <b>M</b>	Sta Months	Lombard Intervention
Frankdurt. Parts Zurich Ansstoriam Toleyo Miller Sturnels Dubih	6.30-6.30 75-74 4-5 5.68-6.62 232-532 951-9-4	6,70-6,80 71-75- 45-47, 6,52-6,60 21-2-9,5 1014-1012 9,6-612	6.60-6.75	6 45-6 55 718-738 4 11-413 6 27-8 35 9 4-314 9 4-314 9 4-314 9 5-12-6 3	6 25-6.40	7.75 6.75
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#### NOTICE OF REDEMPTION TO THE NOTEHOLDERS OF GONZAL B.V. tthe "Come

U.S.\$10,000,000 Secured Step Down Coupon
Exchangeable Notes Due 1993 (the "Notes")

NOTICE IS HEREBY GIVEN pursuant to Condition 16 of the Terms and
Conditions (the "Conditions") of the Notes that the Company has
determined in accordance with Condition 9(a)(til to redeem on
September 30, 1993 (the "Redemption Date") all outstanding Notes at
100 per cent. of their principal amount by delivery of Nireco Shares in
accordance with Condition 8. Expressions defined in the Conditions
shall hear the same magnings herein shall beer the same meanings herein.

Set out below is the information relevant to Conditions 6 and 9(aXii):
Exchange Price as at August 23, 1993: Yen 4,244.00
Rete of Exchange applicable upon conversion: Yen 127.32 = US\$1 Number of Nireco Shares to be delivered 3000 lor each Note: Aggregate principal smount of the Notes

US\$3,200,000 Redemption of the outstanding Notes and delivery of the Nireco Shares will be made at either of the offices of the Psyling and Erchange Agents specified below, on and after the Redemption Itale. Noteholders must complete, sign and deposit at the specified offices of the Paying and Exchange Agents the "Redemption Exchange Notice" available et auch offices. Thereafter the delivery of the Nireco Sheras will be mede by the Custodien in accordance with the

Interest payable on the Notes on September 30, 1993 will be paid the normal manner.

GONZAL B.V. By: Citibank, N.A. London Branch (as Principal Paymg and Exchange Agent)

Paying and Exchange Agents: Citibank, N.A. 336 Strand London WC2R 1HB Citibank (Luxembourg) S.A. 16 Avenua Marie-Therese Luxembourg Oaled: August 26, 1993 By Citlbank N A., Londo

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CANADA TORONTO

Mesaks & Milmerals

MONTEREAL PORTUGO

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# Airlines, cyclicals up as Dow peaks again

#### **Wall Street**

US stock markets advanced further into record territory yesterday morning amid futures-related huying and continued strong demand for cyclical and airline stocks. urites Potrick Harverson in New

At 1 pm. all the major indices were at new record highs. The Dow Jooes Industrial Average was up 17.32 at 3.656.28. The more broadly based Standard & Poor's 500 was 2.21 higher at 461.98, while the Amex composite was up 0.97 at 256.12, and the Nasdao composite up 1.45 at 736.59. Trading volume on the NYSE was 175m shares by 1 pm.

Low interest rates, the lack of alternative attractive investments, and slowly-building confidence io the economic outlook have been cited as the main factors behind the markets' recent record-breaking run. That run showed no sign of faltering vesterday, as heavy buying of stock futures and sustained demand for cyclical and other economically-sensitive stocks continued to push prices to new highs.

strong, in fact, that it can hrush off seemingly bad economic news, such as yesterday's 3.8 per cent decline in July durable goods orders. That headline number, however, was not as bad as it looked, because the decline was entirely the result of lower aircraft orders: excluding the

transportation component, orders actually rose last month. Investors were also cheered hy good news from the bousing market, where existing bome sales rose 5.4 per cent in July. Airline stocks were in demand after the securitles

house, First Boston, raised its

rating for Delta Air Lines from

a "hold" to a "buy". Delta climbed \$2'; to \$55';, AMR, par-

ent of American Airlines, rose

\$17s to \$67%, USAir rose \$15 to \$161. and UAL firmed \$35 to Cyclicals remained firm. Ford rose \$\\ to \$52\\. General Motors added \$' at \$47% and Chrysler added \$15 at \$42%. Caterpillar, which led the market higher ou Tuesday, added another \$12 at \$32%. General Electric firmed \$14 to \$98%, and

Minnesota Mining & Manufac-

Philip Morris was a notably poor performer, dropping \$3 to \$48% in volume of 4m shares after the broking house. Smith Barney Shearson, lowered its rating on the stock from "out-perform" to "neutral" because of the company's failure to raise its dividend.

Toys R Us rose \$1 to \$36% in

busy trading on press reports that the company plans to open Books R Us departments in its main toy stores following the success of a pilot scheme. Bell Atlantic jumped \$1% to \$60% on the news that a fed eral court had ruled that the company can enter the video-

programming husiness.

#### Canada

TORONTO finally hroke through its previous record high in morning trading after nudging ever closer during the last few days. At midse the TSE-300 composite index was up 7.91 at 4,120.15, with the financial services sub-index 11.01 higher at 3,081.82.

Among the most active stocks at midsession, Mitel Corp was up C\$\(^3\), at C\$8\(^4\) and Placer Dome up C' at C\$27%.

# Paris opens new account in high spirits

ATTENTION focused even more firmly on today's Bundesbank meeting, writes Our Mar-advanced FFra to FFr1.287, but

PARIS started the naw account in high spirits with a 1.7 per cent rise in the CAC-40 index, up 35.91 to 2,159.31.

Turnover remained solid at FFr3.9bn. The last trading account had seen very heavy turnover, with a daily average of FFr4.3bn, swelling to a record FFr11.5bn on July 31, the day after the crisis in the ERM was triggered. During the August account the CAC-40 index gained 6.5 per cent. Société Générale was one of

the most active stocks, assisted by its successful placing of 1.8m shares in Alcatel Cable, which crossed the market in early trading at FFr600 a share. The placing was equivalent to about 4 per cent of Alcatel Alsthom's holding in the company, now around 77 per cent. SocGen closed up FFr17 at FFr642, Alcatel Alsthom rose FFr13 to FFr735 and Alcatel Cable lost FFr13 to FFr606.

Havas, up FFr12.40 at

FFr467.20, attracted attention

on reports that it might raise

lmost a year after winning permission to

invest in indian stock

markets, foreign fund managers have started to put serious

In the past six weeks, about

\$450m in foreign institutional

funds has flowed into indian equities, \$300m of it in the past

two weeks. The inflor has trig-

gered the sharpest rally in the

market since last year's finan-

cial scandal involving banks

and brokers brought the

weekend, the BSE index rose

27.5 per cent, Earlier this week

stock prices began to slip back

on profit-taking, and yesterday

fell 3 per cent to 2.655 on

shares might be hanned. However, while the market

reports that forward trading in

emerging market performers

last week with a 10 per cent

advance in dollar terms

according to data supplied by

the IFC, an affillate of the

World Bank, it remains harely changed on the year to date.

mistaking the change in mood:

the financial scandal is now

Furthermore, foreign and

domestic investors seem more

confident than they were even

three months ago about the

The turning point was the

defeat on July 28 of a no-confi-

dence motion in the govern-

ment of Mr PV Narasimha Rao.

the prime minister, who was

under pressure from his politi-

cal opponents to refute allega-

tions that he received money

from Mr Harshad Mebta, 8 hro-

ker deeply embroiled in last

year's scandal. Investors

breathed a sigh of relief as the threat to political stability dis-

appeared, at least temporarily.

improved performance in the

Indian economy, especially a sbarp increase in exports

which closed the trade deficit

in the first three months of the current financial year (April-

June 1993) to just \$300m, down

The monsoon rains, crucial

to India's agrarian based

economy, have also been good

from \$1.6bn a year ago.

They also welcomed signs of

country's economic outlook.

seen as 3 thing of the past

Nevertheless, there is no

1991-92 bull run to an end. From the end of July to last

money into equities,

off the day's high of FFr1,234. Euro Disney remained in the news with suggestions in the US that a new investor might come forward. The theme park's shares gained FFr1.50 to

FRANKFURT firmed as favourable inflation data from two west German states lifted the domestic bond market, and enhanced interest rate hopes. The DAX index rose 20.09 to 1,917.78, as turnover rose from DM6.2bn to DM6.6bn.

Among blue chips, MAN, the truckmaker and engineering group, rose DM10.50 to DM335 after a two-day fall of DM9.50 on poor half-year results ear-lier this week. Mr Nigel Lon-gley, an institutional adviser with Commerzbank, said that some traders were taking the view that all of the bad news was out of the way.

Daimler gained DM9.30 to DM731.80 on the additional 14 000 job cuts at Mercedes. analysts reworking 1994 earn-

FT-SE Actuaries Share Indices THE EUROPEAN SERVES 10.30 71.00 12.00 13.00 14.00 15.00 Gost 1305.71 1306.81 1306.82 1307.25 1308.09 1308.97 1309.33 1310.93 Aug 1a 1297.31 1291.83 1375.46 1374.00 Seto value 1900 (29/10/90) Highley: 100 - 1311.10; 200 - 1391.35 Lowber: 100 - 1305.66 200 - 1307.80.

showed a relative fall. unchanged at DM315.50 following a warning by Moody's late on Tuesday that it was reviewing the large German bank for ssible downgrade on its debt rating

AMSTERDAM noted soma positive rises in most internationals, helped by Wall Street's record close on Tuesday. The CBS Tendency index put on 1.2 The publishing sector again

featured, with Wolters Kluwer, popular since its good first half profits on Tuesday, adding FI 1.50 to Fi 100.50, up some 25 Gist Brocades, the hiotechnology group, built on Tues-

Meanwhile, Commerzbank day's advance after releasing satisfactory first half figures the shares rising Fl 1.60 to Fl 49.20. Pakhoed, the storage and transport group which is due to release first half figures today, was quoted 30 cents higher at F144.10.

MADRID gained from an extended raily in the bond market, and on interest rate hopes as the general index, 3.97 higher at 297.81, registered its second consecutive high for the year. Turnover shot up from Pta24.7bn to Pta34.5bn.

Interest rate-sensitive com-panies, such as banks and electricity utilities, ware among the main winners, Argentaria putting on Pta130 to Pta6,000 and Endesa Pta170 to Pta5,360.

in blue chips as the SMI index closed 30.0 higher at 2,502.4.

Nestle benefited with a SFr17 rise to SFr1,117. In banks, SBC rose SFr9 to SFr497 ahead of next week's results; and a higher dollar lent support to pharmaceuti-cals, where Ciba-Gergy certifi-

cates put on SFr9 to SFr707. MILAN remained fairly strong with foreign activity noted particularly in the banking sector, as well as in some other stocks which have underperformed the market recently. The Comit index finished up 1.57 at 617.25, although more than two hours was lost due to a technical failure in the elec-

tronic dealing system. Among the banks, Mediobanca was one of the day's best performers, putting on L553 or 3 per cent to L17.965.

OSLO featured a 5 per cent gain in shipping stocks as the All-share index rosc 10.35 to 568.9. HELSINKI saw an 11.4 per cent drop in the bank shares index, and profit-taking was blamed as the Hex index

# Foreign investors return to Indian equities

R C Murthy in Bombay and Stefan Wagstyl in New Delhi on the market's recent rally

# Trading concentrates on telecoms as Nikkei rises

ARBITRAGE-linked trading dominated activity and share prices followed the futures market, closing higher in thin volume. urites Emiko Terazono

in Tokwo The Nikkei average gained \$9.61 at 20.521.45, finishing above the 20,500 level for the first time since August 16. The index fluctuated hetween 20,542,35 and 20,412,24 on tecbnical trading as most investors

remained on the sidelines. Volume was 200m shares, against 172m on Tuesday, as advances led declines by 553 to 868, with CSI issues unchanged. The Topix index of all first section stocks rose 6.96 to 1,649.27 and in London, the ISE Nikkei 50 index firmed 1.91 to 1,261.40.

Some Investors were wary ahead of the last trading day for August delivery today. Many market participants were also discouraged by the June diffusion index, the leading indicator for the economy. which fell below the critical 50 per cent level for the second

consecutive month. Trading concentrated on telecommunication-related issues following the successful auction on Tuesday for DDI, a new long distance telecom company. The public offer price, the weighted average of the successful auction blds,

was fixed at Y3.7m. Sbort-term trading of DDI related issues is expected to heighten ahead of DDI's listing on the TSE's second section on Sentember 3. Kyocera, DDI's leading sbareholder, moved forward Y20 to Y6,180.

Dealers bought Nippon Telegraph and Telephone, which rose Y5,000 to Y938,000, while Fujitsu put on Y11 at Y791. Banks were higher on bargain bunting. The sector had lost ground following the yen's

discount rate, Industrial Bank of Japan advanced Y50 to Y3,390 and Mitsubisbi Bank

appreciated Y50 to Y2,900. Housing-related shares were bought on reports that interest rates on bousing loans will fall in October following the cuts in short and long-term prime lending rates by commercial Mitsul Fudosan improved Y10 to Y1,320 and Daikyo Y30 to Y1,290.

In Osaka, the OSE average ended 71.64 higher at 22.459.27 in volume of 39.1m shares. Nintendo, the video game maker, advanced Y240 to Y10,100.

#### Roundup

WALL STREET'S overnight gains did relatively little for the Pacific Rim.

AUSTRALIA crept lower, the All Ordinaries index finishing 1.6 off at 1,922.6 as turnover rose from A\$408m to A\$434m. News Corp slipped 13 cents to AS9.32 as Its 72 per cent jump in net profits was

described as helow expectations. Caltex Australia, the petroleum refiner and mar-keter, closed 13 cents ahead at A\$2.59 after its half-year results pleased oil analysts. NEW ZEALAND saw another

big husiness but the NZSE-40 index subsided hy 18.79 to 1,984.03 as investor worries about industrial relations at Telecom, and profit-taking in Brierley, weakened the two key stocks. Telecom receded 9 cents to NZ\$3.97 and Brierley dipped 5 cents to NZ\$1.15.

Turnover came to NZ\$68m. HONG KONG fell on worse than expected profits for airline Cathay Pacific, weakness in property shares, and fut-ures linked trade. The Hang Seng index shed 62.10 to

Cathay's 46 per cent drop in first-half profits left it 40 cents

ties, Sun Hung Kai Properties lost HK\$1.25 at HK\$36.25 after Tuesday's major bank decision to tighten mortgage lending.

SEOUL's composite index fell a further 9.93 to 705.10, investors staying away as brokers said economic fundamentals were weak. Turnover shrank from Won298bn to Won253bn.

KARACHI finished lower on selling by short-term operators and the absence of Institu-tional buying, the KSE index sliding 14.31 to 1,325.35.

SINGAPORE approached its all-time high again, the Straits Times Industrial index ending 21.22 up at 1,976.09. Kay Hian James Capel rose sharply on expectation that the stockhroker will do better in the second half, after a very good set of interim results, as the market's hull run continues: the registered shares added 11

cents at SS1.6 KUALA LUMPUR was mixed hut property Issue Lion Land saw stroog afternoon buying on renewed talk of a timber deal. The KLSE composite index edged up 0.25 to 805.72 as Lion climbed 58 cents to M\$4.12 in 13.4m volume on a strong rumour linking it with Sabah

BANGKOK advanced on late buying of banks and small finance companies, the SET index finishing 8.50 ahead at 952.33 in turnover up from Bt5bn to Bt5.4bn. JAKARTA hit another year's high as the JKSE index rose 4.86 to 398.49 on strength in the banking and manufacturing sectors.

#### **SOUTH AFRICA**

THE downwards drift in gold shares on the back of a weaker bullion price deepened near the close, but industrials beld on to small gains. The golds index lost 32 to 1,756 while industrials rose 7 to 4.624. The overall index shed 6 to 4.045.

in most parts of the country. The rise in equities has been accompanied by a five-fold increase in daily turnover in the past month - from Rs800m to Rs4bn (\$25m to \$127m). Brokers say this indicates the rally is broadly based and involves a large number of investors.

rokers in Bombay suggest that a major reason for the upsurge in foreign inward investment is a growing fear among international investors that the Chinese economy may he overheating. For investors seeking to place funds in a large developing country, India is an alternative to China, they say.

However, Marlin Partners, a Bombay investment company, warns that the rally may not last hecause further price increases would rapidly trigger was one of the world's best a surge in primary issues.

	<b>EMERGING</b>	MARKETS:	IFC WEE	KLY INVES	TABLE PRIC	E INDICE	5
			Dollar terms			ocal currency	
Market	No. of stocks		% Change over week	% Change on Dec '92	Aug 20 1993	% Change over week	% Change on Dec '92
Latin Ame	rica					-	
Argentina	(11)	662.75	+6.9	+14.2	406,679.17	+6.9	+14.5
Brazil	(44)	201.81	+12.0	+61.4	23,701,388.57	+19.4	+1036.5
Chile	(20)	429.66	+1.5	+2.7	702.38	+1.7	+9.5
Colombia <sup>*</sup>	(8)	443.11	+3.6	+4.2	632.25	+3.8	+3.4
Mexica	(58)	726.08	+3.1	+7,4	973.57	+3.1	+7.2
Venezuela <sup>2</sup>	(8)	478.58	-4.0	-7.9	1,019.20	-3.3	+9.2
East Asia							
South Kore	a³ (130)	100.02	+6.5	+1.9	108.57	+6.6	+4.7
<b>Philippines</b>	(11)	168.73	+3.0	+26.4	223.10	+1.5	+38.0
Taiwan, Ch	ma* (76)	84.14	-2,4	+14.0	84.30	-2.3	+20.9
South Asia			-				
India <sup>3</sup>	(61)	93.61	+10,0	-0.1	103.52	+10.0	+8.4
Indonesia*	(31)	86.16	+2.4	+50.2	100.20	. +2.4	+52.3
Malaysia.	(61)		+3.3	+37.3	211,56	+3.3	+34.1
Pakistan*	(8)		-0.7	+14.2	308.73	-0.7	+33.2
Thailand	(52)		-1.2	+15.0	264.68	-1.4	+13.5
Euro/Mid 1							
Greece	(17)	247.96	-2.2	+27.0	394,38	-4.1	+38.5
Jordan	(5)		-3.3	+30.3	217.91	-33	+31.4
Portugal	(16)		+7.8	+32.4	119,17	8.E+	+52.9
Turkey <sup>a</sup>	(31)		+11.1	+103.1	+738.18	+12.3	+175-2

indoes pre calculated at ord-week, and wealty changes are percentage movement from the previous Friday, Base date: Dec 1988-100 which are: (1,Feb 1 1591; G)Jan 5 1950; (3)Jan 3 1992; (4)Jan 4 1991; (5)Mc II 1992; (5)Sep 28 1996; (5)Mer 1 1991; (6)Mag 4 1989

AND THE PARTY NAMED IN

July 1993. This announcement oppears as a matter of record only.



# P.T. PANIN BANK

80,000,000 Shares **International Placement** 

The undersigned acted as financial advisor to P.T. Panin Bank and sole placement agent in this transaction.



## **FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			TUE	SDAY AU	GUST 24	1993				MONDAY	AUGUS	23 1995		DOLLAR INDEX			
Figures in perentheses show number of lines of stock	US Dollar Index	Day's Change	Pound Sterling Index	Yeri Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Vield	US Dollar Index	Pound Starling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)	
Australia (69)	144.10	-0.8	142.76	94.46	125.98	143.86	-0.5	3.49	145.31	143.39	94.84	127.57	144.59	146.94	117.39	128.7	
Austria (17)	199.09	+1.0	167.52	110.84	147.82	147.68	+0.8	1.31	167.46	165.24	109.30	147.01	146.57	169.29	131.16	149.0	
Belgium (42)	150.65	+0.2	149.25	98.75	131.70	131.52	-0.4	4.36	150.36	148.37	98.13	131.99	132.01	156.76	131.19	145.9	
Canada (108)	127.96	+0.6	126.78	83.88	111.86	122.22	+0.5	2.76	127.15	125.47	82.98	111.61	121.58	130.38	111,41	125.9	
Denmark (33)	222.07	-0.8	220.01	145.57	194.14	208.18	-1.1	1.09	223.52	220.56	145.89	196.22	210.45	227.15	186.11	224.1	
Finland (23)	114.44	-1.0	113,38	75.02	100.05	139.15	-0.9	0.87	115.58	114.03	75.42	101.44	140.36	118.56	65.50	81.1	
France (87)	163.00	+1.1	161.49	106.84	142.46	149,70	+0.6	3.08	161.27	159.13	105.25	141.56	148.67	167.36	142.72	156.1	
Germany (60)	122.78	+0.8	121.63	80.49	107.33	107.33	+0.4	1.96	121.79	120.17	79.50	106.91	106.91	124.94	101.59		
Hong Kong (55)	289.32	-1.1	286.63	189.65	252.94	287.82	-1.1	3.40	292.55	238.S7	190.93	256.83				115.0	
retand (15)	170.01	-1.1	168.43	111.44	148.52	170.38	-1.5	3.27	171.98	169.70	112.24	150.87	291.05	301.61	218.82	219.1	
	76.81	+0.2	76.10	50.35	67.15	91.45	+0.0	1.78	76.63				173.03	171_98	129.28	158.5	
Italy (70)		-0.6	155.80	103.08	137.48	103.06				75.81	50.01	67.27	91.48	77.14	53.78	84.1	
Japan (470)	157-28				333.68		-0.1	0.80	158.14	156.05	103.21	138.84	103.21	165.91	100.75	102.3	
Malaysia (69)	381.71	+0.7	378.16	250.20		374.73	+0.6	1.82	379.23	374.21	247.50	332.90	372.52	381,71	251.66	227.2	
Mexico (19)		+1.2		1151.75	1536.03	5973.55	+1.2				1133.47				1410.30	1259.9	
Netherland (24)	180.18	+0.9	178.48	118.09	157.50	155.49	+0.5	3.47	178.50	176.14	116.50	156.70	154.71	180.16	150.38	164.6	
New Zealand (13)	61.78	-1.0	81.21	40.50	54.01	59.37	-12	3.78	62.38	61.58	40.72	54.76	60 11	62.98	40.56	41.9	
Norway (221	169.71	-0.5	168.14	111.25	148.37	167.99	-0.6	1.57	170.54	168.28	111.30	149.71	169.03	177,31	137.71	136.4	
Singapore (38)	278.80	-0.5	276.21	182.75	243.72	206.53	-0.8	1.87	280.22	276.50	182.89	245.98	207.71	281.13	207.04	186.1	
South Africa (60)	198.78	+0.1	196.93	130.30	173.77	202.68	+0.1	2.55	193.63	196.00	129.83	174.36	202.53	215.29	144.72	188.6	
Spain (43)	136.30	+24	135.04	89.35	119.18	139.30	+1.1	4.09	133.16	131.39	86.91	116.89	137.85	136.30	115.23	138.2	
Sweden (36)	164.46	-0.6	182.75	120.92	161.26	219.76	-1.1	1.53	185.66	183.20	121.18	162,99	222,15	196.23	149.70	171.4	
Switzerland (50)	135.01	+1.0	133.76	88.51	118.04	123.75	+0.5	1.75	133.67	131.90	87.25	117.38	123.19	135.01	108.91	111.8	
United Kingdom (218)	186.01	-0.1	164.28	121,92	162.58	164.28	+03	3.80	186.26	183.79	121.55	163,49	183.79	189.35	162.00	179.6	
USA (520)	187.93	+0.A	186.19	123.20	164.30	187.93	+0.9	2.72	186.21	183.74	121.53	163.47	186.21	187.93	175.38	187.5	
Europe (750)	154.76	+0.4	153.32	101.45	135.30	147.72	+0.3	3.03	154.14	152.10	100,60	135,32	147.32	156.45	133,92	144.9	
Nordic (11-4)	175.88	-0.7	174.25	115. <del>29</del>	153.76	184.02	-1.0	1.35	177.06	174.73	115.57	155.45	185.92	183.23	142.13	159.5	
Pacific Basin (714)	181.09	-0.6	159.59	105.60	140.83	110.26	-0.2	1.07	162.02	159.97	105.75	142.23	110.46	168.80	105.89	108.8	
Euro-Pacific (1464)	158.38	-0.2	156.91	103.81	138.45	125.35	+0.0	1.85	158.67	156.57	103.55	139.28	125.37	162.72	117.26	122.2	
North America (628)	184.20	+0.3	182.49	120.76	151.06	183.45	+0.9	2.73	182.53	180.11	119,14	160.28	181.80	164.20	171.51	164.9	
Europe Ex. UK (532)	135.06	+0.8	133.80	88.55	118.08	126.45	+0.3	2.51	134.03	132.26	87.50	117.89	128.11	135.92	112.51	123.9	
Pacific Ex. Japan (244)	199.21	-0.7	197.36	130.61	174.17	184.78	-0.6	3.03	200.57	197.91	130.92	176.09	185.89	202.66	152.70	150.8	
Norld Ex. US (1681)	158.78	-0.1	157.30	104.09	138.81	127.56	+0.0	1.88	159.00	156.90	103.78	139.59	127.53	162.78	118.51	123.7	
Norld Ex. UK (1953)	165.70	+0.3	1 <i>6</i> 4.15	108.62	144.87	142.50	+0.4	2.02	165.21	163.02	107.83	145.04	141.97	167.77	134.22	133.6	
Norld Ex. So. Af. (2111)	187.40	+0.3	165.84	109.74	145.35	145.77	+0.4	2.18	186.97	164.76	108.98	146.58	145.24	169.60	137.29	137.3	
Norld Ex. Japan (1701)	174.95	+0.S	173.33	114.69	152.97	170.83	+0.6	2.93	173.96	171.55	113.48	152.64	169.64	174.95	157,47	157.4	
he World Index (2171)	187.49	+0.3	165.94	109.80	148.44	148.26	+0.4	2.19	167.07	164.85	109.04	146.67	145.74	169.68	137.32	137.6	